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David Buchan and John Ridding on a rash of publicised probes

France's magistrates embark on the corruption trail with Italian gusto

France's magistrates do not have a picture of President Mitterrand on the wall - they have one of Antonio Di Pietro.

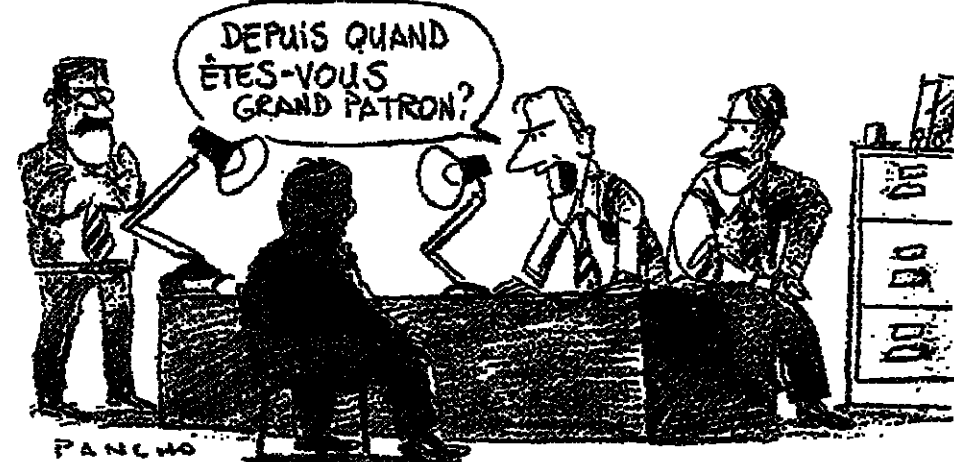
This remark by a prominent Paris lawyer reflects the view of some observers that the country's magistrates are being influenced by the example of the high-profile anti-corruption crusade of Milan's magistrates under the leadership of the popular Mr Di Pietro.

Indeed, France's recent rash of highly publicised corruption investigations has raised the question of whether the country is becoming a second Italy, not necessarily in the level of corruption but in the vigour with which French magistrates are matching their Italian counterparts in cracking down on white-collar crime.

In pursuing cases that involve some of the largest companies in the land and causing earlier this week that most unusual event in France, a ministerial resignation, many French magistrates are influenced by what is happening in Italy, say critics.

In the process, legal safeguards are being swept aside, complains Mr Pierre Suard, chairman of the Alcatel-Alsthom engineering group. After being freed on FFY100,000 bail, after 12 hours of questioning on allegations of misuse of corporate funds and underpinning Alcatel suppliers for work done to his residence, Mr Suard said: "I don't know whether there is a campaign against big companies, but it seems French legal practices are being violated. In France, investigations should remain secret. If it [the investigation concerning himself] had been, then there would not have been damage to the company and shareholders."

Some go as far as to argue that a new generation of magistrates has at last escaped government control and have



"How long have you been the big boss?"

decided to take their revenge on an establishment that has long undervalued their work. And others ask who it is that is to blame for the widespread leaking of judicial and police information that is piercing the cloak of secrecy with which French investigations are supposed to be shrouded.

At the heart of the controversy are France's 550 *juges d'instruction*. These investigating magistrates are called in to investigate all felony charges (rape, murder) and any case that is complex (corruption, white-collar crime). They are generally young and not well paid.

According to Mr Valéry Turcay, secretary general of the largest union among France's 6,000 magistrates, an investigating magistrate starts in his or her mid-to-late 20s on an ordinary secretary's salary of FF13,000 a month, rising to FF20,000 after 10 years. A few come to the job late with useful experience but it is not rewarded in pay terms.

They have statutory independence as *juges d'instruction*, and the judiciary's general independence has been reinforced in the past year by a

reform of the Conseil Supérieur de la Magistrature which dilutes the power of the executive in determining appointments. Investigating magistrates still know that, to attain the highest reaches of the judiciary, they will have to spend some subsequent stint in the government prosecution service. But many care less what the government thinks of them, if only, as Mr Turcay says, "there is now a generation of *juges d'instruction* who feel their career advancement is blocked by a sizeable number of older magistrates."

But Mr Turcay insists that investigating magistrates can use their considerable powers to order police searches, interrogate witnesses, detain defendants, only if and when "instructed" by state prosecutors and within limits laid down by prosecutors. Mr Pierre Méhaignerie, the justice minister, has for instance been criticised in the press for leaving police to continue their inquiries into improper party funding allegations concerning Compagnie Générale des Eaux, rather than calling in an investigating magistrate.

But the main complaint of people caught up in recent cases is the way, as Mr Gilles August of the Paris law firm of Sales Vincent Georges puts it, France's "inquisitorial system" is being exploited by the media. Secrecy has been of the essence to this "inquisitorial" system that places the quest for truth over the rights of the individual, compared with the Anglo-Saxon "adversarial" system which gives a higher priority to the rights of a defendant in a confrontation with the prosecution that is left to juries to decide.

Thus, French police and magistrates can question a suspect for 20 hours before the latter has the right to have his lawyer present. Only after a suspect has been formally charged, or "put under examination" in French legal jargon, can his lawyer have access to the magistrate's dossier.

This sometimes leads people to demand to be "put under examination" so that they or their lawyer can see the evidence an investigating magistrate has compiled against them. Mr Alain Carignon said he resigned as communications

minister in the Balladur government on July 17, precisely in order to contest charges, filed yesterday, concerning allegations that Lyonnais des Eaux, the other big French water company, bankrolled a newspaper that campaigned for his re-election as mayor of Grenoble in return for getting the city's water contract.

Mr Turcay says "it is defendants who started the business of 'media-fishing' cases". Mr Maurice Arreckx, a senator from the Var region in the south, is for instance not yet a defendant, but has a judge on his heels who wants to make him one by bringing charges for corruption. Last Thursday Mr Arreckx used an interview in *Le Figaro* to proclaim his innocence.

In general, Mr Turcay says investigating magistrates are far too busy, each dealing with an average 120 ongoing dossiers at any one time, to want to bring down a lot of time-consuming publicity on their heads by leaking material to the press. But he concedes that investigating magistrates, and the occasional prosecutor such as Mr Eric de Montgolfier, who has held press conferences during his investigation into possible football bribery by Mr Bernard Tapie, sometimes use the press to forestall attempts by their superiors to smother their inquiries.

Mr Jean-Pierre, he says, "would never have got anywhere in his investigations into Socialist party funding if he had not used journalists."

The justice ministry and the Senate are now beginning to consider how to accommodate inexorable media pressure in high-profile cases with the need for some legal secrecy. One solution, suggests Mr Turcay, would be to try to preserve absolute secrecy up to the point at which a suspect is formally charged, and to abandon it thereafter.



Alain Carignon: quit to fight case

Former minister faces inquiry over alleged misuse of funds

Mr Alain Carignon, former communications minister, was yesterday formally placed under investigation for complicity in the misuse of corporate funds, a week after he resigned his portfolio to contest the charges, writes David Buchan.

The allegations against Mr Carignon, an RPR Gaullist mayor of Grenoble, concern a possible link between his decision in 1989 to privatise the city's water services and give them to Lyonnais des Eaux to run, and the latter's subsequent move to take over and wipe out the FF5.4m (\$850,000) debt of a moribund newspaper that had supported his re-election campaign. Mr Carignon denies any connection.

He is one of the very few ministers in recent French political history to stand down in the face of legal problems. He said it would be "unfair for the prime minister [Balladur], whose actions are beginning to bear fruit, to suffer from the media hype" of his case.

In the recent rash of corruption investigations, Mr Carignon was the only ministerial target, though Mr François Léotard underwent a similar investigation before becoming defence minister and Mr Gérard Longuet, the trade and industry minister, is still the subject of preliminary inquiries regarding a commission given to a member of his party.

The prime minister is nominally

keeping his job open for him, if he can clear his name, by giving the post temporarily to Mr Nicolas Sarkozy, the budget minister. But Mr Carignon seems unlikely to return to a government in which he had a series of territorial disputes with Mr Jacques Toubon, the culture minister.

Mr Carignon was yesterday freed by the Lyons investigating magistrate without bail or condition. Senator Maurice Arreckx, from the Riviera department of the Var, may not escape so lightly. The government prosecutor in Aix-en-Provence is asking the Senate to allow him to detain Mr Arreckx while he investigates corruption charges against him.

Kok coalition would cut social spending

By Ronald van de Krol in The Hague

The Dutch caretaker finance minister, Mr Wim Kok, yesterday put forward a government coalition plan that emphasises "stiff" cuts in social spending and a determined focus on creating jobs.

The proposals, which Mr Kok described as painful but necessary, are designed to break a political deadlock that has prevented the formation of a new government since general elections in May.

The government impasse is partly the result of the inconclusive election, but the search for a coalition has also been complicated by sharp differences over social security

reform between Labour and the right-wing Liberals.

Mr Kok called on the country's four main political parties to respond to his proposals by midnight tonight. He then hopes to be able to advise Queen Beatrix within a week on which parties should launch detailed negotiations on forming a government.

He declined to say which coalition he thought most likely. "This is not a betting shop," he said at a news conference. "I'm not going to make predictions."

However, Mr Kok is likely to be the next prime minister provided his own Labour party approves his programme and agrees to take part in the coalition.

His 80-page document, written at the request of the queen, is the second serious effort to form a government. A previous attempt to put together a coalition between Labour, the Liberals and the left-of-centre D66 party failed in late June after a disagreement on the specifics of social spending policy.

Mr Kok's new proposals call for nearly FL 18bn (\$5.6bn) in total spending cuts, about the same volume as agreed loosely by Labour, Liberals and D66. However, his suggestions on social spending reductions are detailed, meeting an objection raised earlier by the Liberals. His proposals cover many types of "cradle to grave" expenditure that are bound to be controversial.

Child benefit would fall in real terms, student grants would be lowered, early retirement for government officials would be curtailed, and funds for widows and orphans would be reserved for those in genuine need.

Nevertheless, Mr Kok has remained loyal to his Labour roots by shying away from cutting the amount of money paid to social welfare recipients or shortening their period of eligibility for payments.

He also proposed cuts in taxes and social security premiums totalling around FL 9bn. The goal of the next government should be to get as many people back to work as possible, he said. According to his calculations, some 350,000 jobs

could be created over the next four years, more than compensating for the expected entry of 300,000 people on to the labour market in the same period.

The country's budget deficit would remain stable at around 3.3 per cent of gross domestic product next year but would fall to at least 2.5 per cent by 1998.

It is not yet clear whether the outgoing Prime Minister Ruud Lubbers' Christian Democrats will become part of a new government. If not, this will mark the first time that the party has been relegated to the opposition benches in modern Dutch politics. Mr Lubbers had said at the beginning of his current term that he would not seek re-election.

Bosnian Serbs crank up pressure on UN

By John Lloyd in Moscow and Bruce Clark in London

Bosnian Serb forces appeared yesterday to be ratcheting up their war of nerves with the United Nations, in an ominous hint of how much more trouble they could cause if they are punished for rejecting a peace plan.

UN officials said one civilian was killed and another wounded by Serb gunfire in the Muslim enclave of Gorazde, a so-called total exclusion zone where heavy weapons are potentially subject to Nato air strikes.

The UN also blamed the Serbs for the anti-aircraft fire at Sarajevo airport last week which has forced the suspension of relief flights. The Serbs have denied that they were responsible.

In a third challenge to the UN, the Serbs refused to allow the evacuation of 35 sick people from Gorazde unless all Serb prisoners held by the Muslim-led Bosnian government were released.

Negotiators from the five-nation contact group which has devised a partition arrangement for Bosnia conferred in Moscow yesterday over how to respond to the Serbs' ambiguous reply to the proposal.

A statement by the group said they discussed "additional measures aimed at removing the objections from all sides in the conflict".

The group's members - the US, Russia, Britain, France and Germany - were united in pressing for acceptance of the peace deal but they appear divided over how to cope with the plan's apparent failure. No firm decisions are expected until the group's foreign ministers meet in Geneva at the weekend.

Mr Igor Ivanov, the Russian first deputy foreign minister who chaired the meeting, said before it began that the group would continue to strive for acceptance of the latest peace plan - accepted by the Croat-Muslim alliance but effectively rejected by leaders of the Bosnian Serbs.

"We believe we have a plan that is balanced and realistic and reflects the interests of all sides," Mr Ivanov said. "It would hardly be expedient to abandon it."

General Pavel Grachev, the Russian defence minister, will arrive in former Yugoslavia today, where he is expected to meet Serbia's President Slobodan Milosevic and possibly the Bosnian Serbs as well.

Gen Grachev has often been in direct communication with General Ratko Mladic, head of the Bosnian Serb army, and the Russian minister may be one of the few people who can exercise any influence over the Serb commander.

Diplomats believe the Russians would welcome some show of flexibility from the Serb side, whose intransigence could threaten the broader relation between Russia and the west. But any unilateral moves against the Serbs could arouse an angry reaction in Moscow.

Yesterday, Russia announced a wide-ranging defence co-operation agreement with Greece calling for joint exercises, possible co-production of weapons and the exchange of information on defence matters.

Greece is the only European Union member which shares Russia's traditional sympathy for the Serbs.

Mr Gerasimos Arsenis, the Greek defence minister, said that the positions of Athens and Moscow about the situation in Bosnia were close.

EUROPEAN NEWS DIGEST

Belgium avoids harsh measures

Mr Jean-Luc Dehaene, Belgian prime minister, yesterday announced a relatively palatable budget for next year, which included no significant tax increases nor large cuts in public spending. Higher than expected growth this year, plus revenue from privatisations, meant that Mr Dehaene was able to present a package that he said would not take the budget deficit above 4.3 per cent of GDP, the target for next year. Last year the budget deficit was 7.3 per cent of GDP and this year it should fall to 5.7 per cent. The long-term aim is to reduce the deficit to 3 per cent of GDP to meet the Maastricht treaty's criteria for monetary union by the end of 1996. The government considers that measures taken in its austerity Global Plan last November were sufficient to keep the budget deficit under control. These reined in spending on social security and froze wages in real terms for three years. The plan prompted considerable social unrest. Next year's fairly soft budget, however, seems to have been framed with October's local elections in mind. The budget was drawn up on the basis of estimated GDP growth of 1.7 per cent this year rising to 2.6 per cent in 1995. Emma Tucker, Brussels

Camdessus to hold Kiev talks

Mr Michel Camdessus, managing director of the International Monetary Fund, is scheduled to make his first visit to Ukraine tomorrow to discuss financial aid in a signal that the new Kiev government is committed to painful economic reforms. Mr Camdessus' trip echoes his role in Russia, where he negotiated a loan agreement in spring which bolstered Moscow in pursuit of economic reforms. Meanwhile, Ukraine's repeat parliamentary polls, held on Sunday, left 92 seats unfilled and elected only 30 new MPs of centrist and moderate orientations, according to preliminary results from the Central Election Commission. Low turnout disqualified 47 districts, which will conduct further repeat elections later this year. In another 45, no candidate won enough votes and the top two contenders will hold run-offs on August 7. Observers predicted that even this small infusion of moderates would help to minimise the domination of Communists and leftist allies in the 450-seat parliament, because factions are so small. There are nine factions in Ukraine's parliament and three-quarters of MPs were elected last March and April. Jill Borshegy, Kiev

Troops top Estonia agenda

The first summit meeting between Russian President Boris Yeltsin and Estonian President Lennart Meri will take place today in Moscow. Top of the agenda will be discussion of the promised departure of Russian troops from the former Soviet republic by the agreed date of August 31. Russia's compliance is seen as a key indicator of its will to recognise fully the Baltic state's independence. Russian diplomats yesterday talked down expectations of a breakthrough on another contentious issue, the residence and pension rights for 10,000 former Soviet military and security officers. But one, Mr Alexander Udalov, told the news agency Interfax that the meeting "may give an impetus to resolving many controversial issues". These include the dismantling of the nuclear submarine training base at Paldisi and Estonia's claim to two strips of territory recognised as Estonian by the 1920 Tartu treaty with Russia and now under Russian control. John Lloyd, Moscow

French nuclear waste claim

Cogema, the French nuclear fuels agency, yesterday rejected allegations by Greenpeace, the environmental organisation, that its proposal of more generous terms on nuclear fuel recycling and waste to a German customer, PreussenElektra (PE), had broken French law. Revealing a May 1994 letter from Cogema to PE, which belongs to Veba of Germany, Greenpeace said Cogema was offering to "keep not only [PE's] plutonium but also the majority of the waste, in France", in defiance of France's 1991 law banning the long-term storage of foreign nuclear waste in the country. A Cogema director denied that any such offer to PE had been made, saying that "we try to recycle what we can and to treat the rest as best as possible". He added that "Greenpeace has its opinion, we have ours and the customers will decide". David Buchan, Paris

Court move on Mitsotakis

The Athens appeals court council has called for confidentiality rules to be lifted on bank accounts held by Mr Constantine Mitsotakis, the former Greek prime minister, as part of an investigation launched earlier this year into accusations that he took bribes while in office. Mr Mitsotakis is accused of accepting a \$2.5m (\$14.5m) bribe in the 1992 sale of Heracles General Cement, the state-owned Greek cement producer, to Cal-Nat, a joint venture between Calcestruzzi, the construction arm of Italy's Ferruzzi group, and National Bank of Greece. The Dr124bn (\$377m) deal was the biggest privatisation carried out by Mr Mitsotakis' conservative government. Once the investigation is complete, the Socialist-controlled parliament will vote on whether to lift his immunity against prosecution. Mr Mitsotakis, now a backbencher, also faces charges of illegally tapping the telephones of political rivals while in office, in a case being pursued by deputies from the governing Panhellenic Socialist Movement. Kevin Hope, Athens

Plea for Craxi jail term

A Milan public prosecutor asked a court yesterday to sentence Italy's former prime minister Bettino Craxi to 11 years in jail for fraudulent bankruptcy in the collapse of Banco Ambrosiano, the Italian bank, court sources said. The prosecutor asked for 10 years' jail for Mr Claudio Martelli, former justice minister and once Mr Craxi's deputy in the Socialist party, and seven years each for Mr Leonardo Di Donna, former vice-president of state energy group Eni, and Mr Licio Gelli, former grandmaster of the baroque P2 Masonic lodge. Mr Craxi and Mr Martelli are accused of having accepted several million dollars from Banco Ambrosiano before it collapsed in 1982. Mr Craxi, who faces two other trials in Milan and about 20 investigations in connection with alleged corruption, has been at his holiday home in Tunisia for months; his lawyers say he is too ill to travel. Reuters, Milan

ECONOMIC WATCH

Dutch sales picture mixed

Dutch retail sales fell 1.5 per cent in real terms in May, the first decline since January. However, the central statistical office blamed the downturn on one fewer Saturday in the month than May 1993. If corrected for that difference, the retail sales index actually rose by 1.7 per cent. The statistical office also reported yesterday that the Netherlands' trade surplus widened to FL 1.7bn (\$530m) in March from FL 1.5bn in February and FL 1.2bn in March 1993. The increased surplus extends the higher trend seen both in 1993 as a whole and in the first two months of 1994. Ronald van de Krol, Amsterdam

■ Italian industrial producer prices rose 3.2 per cent in the year to May, compared with a 3 per cent rise in April, the national statistical institute reported. Wholesale prices rose by 3.5 per cent year-on-year to May 1994.

■ Germany's balance of payments surplus on the capital account widened in May to DM6bn (\$3.3bn) from DM2.3bn in April and DM6.5bn in May 1993, according to data published by the Bundesbank yesterday.

THE FINANCIAL TIMES
Published by The Financial Times Group
GmbH, Niederwallstrasse 17, 10117 Frankfurt
am Main, Germany. Telephone: +49 (0) 69
550 550. Fax: +49 (0) 550 550 550. Telex: 310191
Represented in Frankfurt by J. Walter Brand,
Wilhelmstrasse 1, 60331 Frankfurt, Germany.
Responsible Editor: Rüdiger Lauterbach, c/o
Götsche & Partner and in London by David
C.M. Bell and Alan C. Miller. Printer: David
Druck-Vertrieb and Marketing GmbH,
Admiralsplatz 1, 20095 Hamburg, Germany.
Newspaper (owned by Hürst & Smith
International). ISSN: 0950-0804
Responsible Editor: Rüdiger Lauterbach, c/o
The Financial Times Limited.
Number One Southbank Bridge, London SE1
9HL, UK. Shareholders of the Financial Times
(Europe) GmbH are The Financial Times
(Europe) Ltd, London and F.T. (Germany)
AG, Hamburg. Shareholders of the above
mentioned companies are: The Financial Times
Limited, Number One Southbank Bridge,
London SE1 9HL, UK. The Company is
incorporated under the laws of England
and Wales. Chairman: D.C.M. Bell.

FRANCE
Publisher: Director: D. Gaud, 166 Rue de
Rivoli, F-75004 Paris Cedex 01. Telephone: (01)
4297-0621. Fax: (01) 4297-0629. Printer: S.A.
Nord Editeur, 15211 Rue de Clichy, F-91000
Evry-Courcouronnes. Editor: Richard Lambert,
ISSN: 0950-0804. Commission Paritaire
No. 67800.

DENMARK
Publisher: Director: J. Lunde, Vindmølle-
vej 4A, DK-1161 Copenhagen K. Telephone:
33 13 44 41. Fax: 33 91 51 35.

US auctions radio bands

By Jeremy Kahn
in Washington

The US government began auctioning new radio bands yesterday, in an unprecedented move which could raise billions of dollars for the Treasury.

The Federal Communications Commission, which has previously given away its licences through lotteries or hearings, was last year given congressional approval to auction exclusive rights to a range of new frequencies which can be used for the next generation in paging, telephone and voice and data communication systems.

The Congressional Budget Office predicted the auction could raise \$10bn.

The process began yesterday as 29 bidders competed for a group of 10 nationwide licences for "narrow band" frequencies. These can be used for advanced paging systems, two-way pagers, and wireless modems and faxes.

At the end of the first hour of bidding yesterday morning, two contenders alone had bid more than \$100m for all the frequencies. Bidders are identified only by a numerical code until all rounds are concluded.

Because FCC rules allow a company to buy only three of the 10 bands, it is likely that the two companies will have to withdraw bids for some of the frequencies, which might lower the amount the government receives.

However, FCC officials said that the first round looked promising. "This totally exceeded the most rosy projections," said Congressman Edward Markey, who was instrumental in the FCC securing permission to hold the auction, announcing the first round results.

The bids ranged from \$6.25m to \$20m, depending on the frequency and its capabilities. The bidding for the first 10 bands is expected to continue until Thursday, but may end earlier if a few companies continue to out-bid their competitors by large amounts.

The FCC will then begin to auction regional narrow-band service licences and licences for interactive video and data services. By the end of the year, the FCC expects to have sold 3,500 narrow-band permits, 1,400 inter-active licences and 2,500 permits for the next generation of mobile telephone services, collectively known as "broad-band" services.

PRI 'set to win' in Mexico

By Damien Fraser
in Mexico City

The ruling party in Mexico is set for a comfortable victory in the presidential election next month, according to a new opinion poll by the Indemerc/Louis Harris organisation.

It gave Mr Ernesto Zedillo, candidate of the ruling Institutional Revolutionary Party (PRI), 50.3 per cent support, against 32.2 per cent for Mr Diego Fernández de Cevallos of the centre-right opposition. Mr Cuauhtémoc Cárdenas, candidate of the left, was shown as a poor third on 13.4 per cent.

Opinion polls are very controversial in Mexico. Some analysts contend that respondents are unwilling to reveal opposition to the governing party, which has been in power for 65 years. Pollsters emphasise that preferences are unusually volatile this year and that the final result will probably be affected by the turnout on August 31, which is hard to predict.

However, the Indemerc/Louis Harris poll was based on 2,550 interviews in 25 states, making it much more extensive than most polls in Mexico. It was paid for by members of Mexico's Chamber of Radio and Television.



Campesino Fernández holds the baby, but is he slipping?

Mr Zedillo's big lead is at odds with recent polls by Mori of Mexico, which show Mr Zedillo and Mr Fernández neck and neck. But the Mori poll is based on a sample of about 300 from five main cities, giving it a larger margin of error.

The Indemerc/Harris poll showed Mr Zedillo leading by 56.24 per cent in rural areas, by tradition strong PRI ground, in

the cities, Mr Zedillo had 47.37 per cent over Mr Fernández. Mr Fernández has been affected by his low-key campaign since a television debate in May, which he was judged to have won. The poll shows his support then at a peak of 41 per cent, several points ahead of Mr Zedillo. Since May, though, his support has slipped and Mr Zedillo has gained.

Argentine death toll put at 80

Rescuers yesterday pulled 22 more bodies from the wreckage of the building which had housed the main Jewish centre in Argentina, bringing the confirmed toll from the bombing there last week to 80 dead, Reuter reports from Buenos Aires.

Jewish groups say 20 more people are still missing. General Meir Livne, who heads an Israeli army rescue team, said his group would finish its task late yesterday or early today. It had given up all hope of finding survivors.

"The state of the bodies we have recovered means there is no hope," Gen Livne said. Rescue team members had raised hopes when they arrived last week, saying people had been known to survive up to six days in earthquake ruins where they had worked.

The blast destroyed the Jewish centre on the morning of July 18. It was the second such attack against Jews in Buenos Aires in two years - 30 people were killed by a car bomb at the Israeli embassy in 1992.

Mr Uri Baran, Israeli tourism minister, was to meet Argentine President Carlos Menem yesterday to ask the latter's government to do its utmost to catch the bombers.

Rights threat in Venezuela

By Joseph Mann in Caracas

President Rafael Caldera of Venezuela raised the stakes in his battle with Congress at the weekend, saying the losing side in a proposed referendum - the administration or the Congress - should resign.

The confrontation erupted last Friday when a joint session of Congress voted to restore five out of six constitutional rights which Mr Caldera had suspended 24 days earlier.

Later on Friday, the executive said it had suspended the same rights again. These grant protection against arbitrary arrest and police entry into private homes, the right to free movement in and outside national territory, the right to own property, and protection against expropriation without due process and indemnity.

The administration asserted that conditions were not yet right for the restoration of these constitutional liberties, which are ordinarily suspended only during civil or military upheaval.

In announcing the renewed suspension, Mr Caldera said he would be willing to call a national referendum on the suspension. After an opposition politician had said the

government should resign if a majority rejected the president's line, Mr Caldera asserted that Congress should resign if the referendum supported him.

This has annoyed Congress, which is controlled by three political parties (Democratic Action, Copel and Radical Cause) in opposition to Mr Caldera.

One Democratic Action member warned that his party might call for a vote of censure against several members of the president's cabinet. With the constitutional rights suspended, the administration has raided food stores in search of "profiteers" and "hoarders", confiscated property alleged to be linked to bank fraud, seized merchandise over illegal price increases, and rounded up hundreds of suspected law-breakers in the cities.

If Mr Caldera manages to hold a national referendum on the constitutional rights issue, it is not clear that either side would actually step down.

If the government were to resign, the president could simply replace it. The constitution specifies a succession procedure, but does not provide a procedure for replacing a Congress that resigns.

Business treads warily across Quebec divide

Bernard Simon on concern that a likely separatist campaign after poll may be bad for economy

The head of a Canadian think-tank offered a word of advice at a recent dinner party to the new public relations chief of a Toronto mining company: Make sure, he said, that your chairman keeps his mouth shut on Quebec.

The election in the francophone province, called by Premier Daniel Johnson for September 12, will have a profound impact on Canada's business climate. The question of what role business leaders should play in the campaign and in the period after the poll has become a pressing issue in executive suites.

The separatist Parti Québécois is now well ahead of the ruling Liberals in opinion polls. The PQ has promised if it wins it will hold a sovereignty referendum within a year.

Polls show that a clear majority of Québécois do not favour independence. Their support for the PQ appears to be based mainly on the desire for a change in government after nine years of Liberal rule. Nevertheless, a PQ government can be expected to step up the pressure to wrest more powers from the federal government in Ottawa and to create as many trappings of sovereignty as possible. Mr Jacques Parizeau, the PQ leader, responded to the election call by pledging to end Quebec's participation in efforts to overhaul Canada's social security system and other federal initiatives which require the province's co-operation.

The PQ's interventionist economic platform, which has so far received little attention on the hustings, has also raised concerns in business circles. Mr Parizeau has said that he plans to make fiscal discipline a lower priority than economic growth. Measures to contain the budget deficit are expected to centre on higher taxes rather than spending restraint.

Uncertainty over Quebec's future has already had an unmistakable economic cost. Interest rates have risen more sharply in Canada than the US this year, investor nervousness is especially evident in the provincial bond market. Medium-term Quebec bonds offer a yield 92 basis points (92/100ths of 1 per cent) higher than equivalent government of Canada bonds. The spread on

bonds issued by neighbouring Ontario is only 45 points.

Business leaders worry that a PQ victory could cloud the investment climate for years to come as the independence debate rages on.

Mr Laurent Beaudoin, chairman of Bombardier, the Montreal-based transport equipment maker, told his company's annual meeting last month that the PQ's agenda "will bring with it high risks of skidding, of numerous setbacks (and) of confrontation within Quebec, and between Quebec and its partners".

Fears of political and economic paralysis in the run-up to an independence referendum are likely to feature prominently in the Liberals' campaign over the next seven weeks.

Mr Beaudoin added that "those of us who believe that by choosing (sovereignty) Quebecers are taking the wrong direction should now express their opinion publicly."

Few have heeded his call so far. Indeed, corporate chiefs in Toronto and other parts of English-speaking Canada think that following Mr Beaudoin's advice may do their cause more harm than good.

Mr Tom D'Aquino, president of the Business Council on National Issues, which represents the chief executives of Canada's 150 biggest companies, says that "outside involvement in the debate on the election issues would not be terribly productive, and could be counter-productive". While BCNI members "are doing our homework, we're doing it quietly".

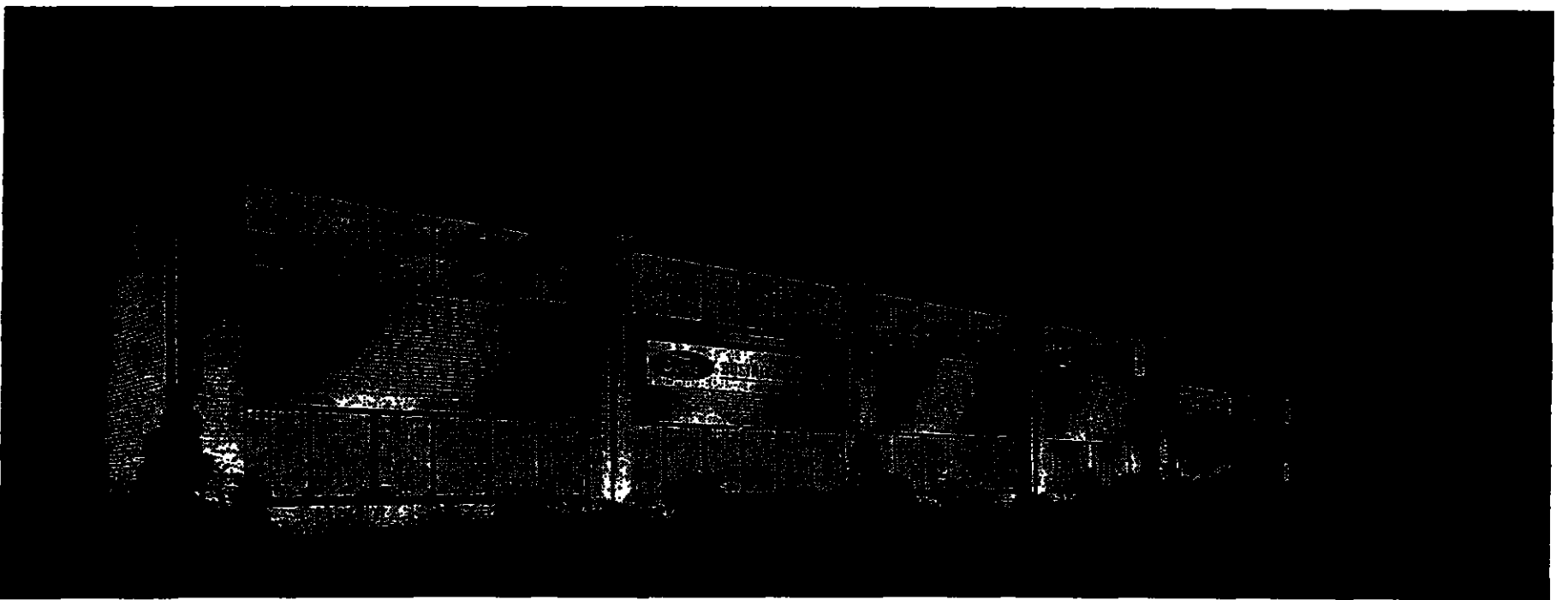
Separatists have in the past skillfully turned warnings about the cost of independence to their advantage by accusing big business of blackmailing and frightening Québécois.

The most celebrated example took place in 1992 at the height of a referendum campaign on the Charlottetown Accord, a package of constitutional changes that were designed to mend fences between Quebec and the other nine provinces. Royal Bank of Canada, the country's highest financial institution, was vilified in Quebec for releasing a study which concluded that "political disunity" could slash Canada's gross domestic product by 18 per cent within eight years and shrink incomes by an average of C\$4,000 (£1,899) a person.

Mr Beaudoin's outspokenness is even the exception in the clubby world of Quebec business and politics, where pressure in the francophone community to stand together against outsiders is strong.

Tactics are likely to change however, if and when a PQ government sets a referendum campaign in motion. "The home-town team now, the national team later," says Mr D'Aquino. The risk is that once a separatist government is installed in Quebec City, the momentum towards a break-away will become more difficult to stop.

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NEWS: INTERNATIONAL

China sees 50% jump in reserves

By Tony Walker in Beijing

China's foreign exchange reserves at the end of June had jumped by 50 per cent over last year to \$31.8bn (\$20.5bn) because of increased exports and the effects of a currency devaluation.

Mr Zhu Rongji, a deputy governor of the People's Bank, China's central bank, said the increased reserves indicated a "sound performance of the national economy".

Western bankers in Beijing attributed the healthier reserves to the government's tight money policies which had restrained imports in the first half of the year.

The depreciation of the yuan against the Japanese yen and the D-Mark had boosted exports to two of China's bigger markets. The Chinese currency, which is not convertible internationally, tracks the US dollar.

China's export performance improved markedly in the first four months of the year following a deficit last year of \$12.2bn. Export growth rebounded by 22 per cent to April compared with a sluggish 8 per cent in 1993.

Import growth slowed to 20 per cent in the January-April period compared with growth last year of 30 per cent. Economists are forecasting a smaller trade deficit this year.

The unification of China's

multi-tiered currency at the beginning of the year and the establishment of an interbank money market had also bolstered the country's reserves.

But western experts warned that China's foreign exchange reserves remain a murky issue. Beijing is now providing what it says are figures for reserves held solely by the central bank.

Previously it had combined the reserves of both the People's Bank and Bank of China, China's specialised foreign currency bank.

China's debt service ratio (interest payments as a percentage of exports and net private transfers) was expected to be in the range of 8-10 per cent this year, according to a Morgan Guaranty survey.

Some \$11.7bn and HK\$5.4bn (\$454m) was traded in Shanghai's new foreign exchange market between April 1 and the end of June, the official China Daily newspaper reported yesterday.

The establishment of the Shanghai market was part of far reaching reforms of China's foreign exchange system aimed at achieving full convertibility for the Chinese yuan within about 5 years.

Chinese officials will not be drawn on the timing of such a step, but make no secret of the fact that turning the yuan into a "hard currency" is one of their priorities.

Russia to sell seven rockets to India

By John Lloyd in Moscow

Russia has agreed to sell seven cryogenic rocket engines to India, in spite of US objections, an Indian government minister said yesterday.

Mr Raghunandan Lal, the minister of state for external affairs, told parliament in New Delhi that the rockets would not be accompanied by a transfer of technical data enabling India to make the rockets.

Mr Lal's assurances contrast with the claims by Indian scientists last year that drawings and other technical specifications had been acquired from Russia.

The US had protested that the deal, worth about \$250m, violated the Missile Technology Control Regime. The MTCR seeks to halt the spread of rocket technology, particularly to the developing world.

Russia, initially adamant that it would go ahead, suspended the deal.

Mr Lal said the deal stipulated the delivery of four rockets now and three more later. Cryogenic rockets are powered by low-temperature fuels such as liquid hydrogen and oxygen.

India, a key non-communist ally of the former Soviet Union, is widely believed to be a nuclear threshold power, engaged in producing its own nuclear delivery system.

Australian transport groups end price case

By Nikki Tait in Sydney

TNT, the large Australian transport group, and Ansett Transport Industries, a related company, have withdrawn their defence against a case of alleged price-fixing brought by the Australian Trade Practices Commission, deciding that it would be preferable to face a substantial penalty rather than continue the legal fight.

The TPC is Australia's main competition watchdog, and the case, which was filed in 1992, centred on an alleged cartel in the express freight business during the 1980s.

The case had been brought against TNT, Ansett Transport Industries, Mayne Nickless, another big Australian transport company, plus a number of individuals under section 45 (2) of the TPC Act. This prohibits market-sharing agreements between companies or curbs on the supply of goods to decrease competition.

Yesterday, Mayne declined to comment on TNT's decision, or to say whether would follow its fellow defendants' example.

In a statement, TNT and Ansett Transport Industries said the move to withdraw a defence had been taken "for purely commercial reasons".

The case had not been expected to reach a hearing until next year, and this would have lasted several months.

Rare moment of sun for Christopher

By Jurek Martin, US Editor, in Washington

Mr Warren Christopher has not enjoyed many unquestioned hours in the sun since he became secretary of state in the Clinton administration 18 months ago.

But yesterday's Israeli-Jordanian summit in Washington offered him such a moment, for there is no foreign policy issue to which he has devoted such unremitting attention as the various Middle East peace processes.

He has conducted three shuttle missions to the region already this year and plans a fourth in the second week of next month. He has Israel and Syria engaged in indirect peace negotiations. Even when apparently, if temporarily, bypassed - it was the secret Norwegian channel which got Israel and the Palestine Liberation Organisation talking - he and Mr Dennis Ross, his able Middle

East assistant, have always been around to nudge the process further.

Middle East policies have long carried great weight for US secretaries of state, perhaps exceeded only by relations with the former Soviet Union. It was Mr James Baker in the Bush administration, who brought governments from the region together in Madrid in 1991 after the Gulf War. The Camp David accords rank high in the achievements of President Jimmy Carter and Cyrus Vance. Henry Kissinger's shuttle diplomacy in the 1970s involved negotiations as arduous and complex as Mr Christopher's.

Pilloried though he has frequently been on any number of foreign policy issues, and with even his tenure the subject of endless speculation, nobody has ever questioned Mr Christopher's constant, have not necessarily emerged as the dominant players in many of these exigencies. The ball on Haiti, for example, has been carried more by the

National Security Council, the Pentagon and the Central Intelligence Agency than by the secretary of state.

But the Middle East has always been different, for both strategic and personal reasons. In the long Iranian hostage crisis of 1979-81, it was Mr Christopher, then deputy secretary of state, who spent long weeks negotiating in Algeria and elsewhere.

His familiarity with both the players and shifting policies of the region has never been doubted. But, leaving nothing to chance, it was he who persuaded Mr Ross last year to stay on in the new administration to provide continuity.

Mr Clinton gave him his due yesterday on the White House lawn, saying that nobody had done more than Mr Christopher to bring King Hussein and Mr Yitzhak Rabin together. The secretary of state, his eyes discreetly hidden by dark glasses, allowed a small smile to lighten up his well-lined face.

Israeli warriors to fore at summit

By Julian O'zanne in Washington

Veteran soldiers of wars against Jordan, relatives of the war dead, and the few Israelis with any links to Jordan largely made up the delegation Mr Yitzhak Rabin, Israeli prime minister, brought to Washington for yesterday's historic summit.

At a time of peace, the emphasis on battlefield losses may seem strange. Yet it is a peculiar tradition of Mr Rabin's to emphasise throughout the Middle East peace process the memory of Israel's sons who sacrificed their lives to defend the existence of the Jewish state in the face of Arab aggression.

Mr Rabin, as chief of army staff, was responsible for the Israeli victory in the 1967 Six Day War and the occupation of Arab lands. The warrior turned peacemaker never completely shed his professional soldier personality, and feels much more comfortable surrounded by military men.

Among the delegation are reserve Maj Gen Dani Matt who was a commander in the 1948 Arab-Israeli war and was



Jordan's opposition parties staged a rally in Amman yesterday, describing the US summit as a national catastrophe

taken prisoner by Jordan in the bloody battles at Gush Etzion and paraded through the streets of Jericho on his way to Amman. Dr Sharon Regav, the eldest son of Colonel Arlik Regav, who was killed in 1968 during operations in the Jordan Valley against Palestinian guerrillas infiltrating

Israel from Jordan; and Shimon Kahaner, one of the paratroopers who fought successfully in 1967 to capture the old city of Jerusalem from Jordan. Mr Rabin also invited the few Israelis who were involved in early political talks with Jordan including Mr Abraham Deskel, the 89-year-old director

of a power station. Mr Deskel knew King Abdullah, the grandfather of King Hussein who was assassinated in Jerusalem in 1952 by extremists opposed to his peace overtures towards Israel.

Mr Rabin's preference for soldiers and relatives comes at the expense of Israeli politi-

cians. Mr Shimon Peres, the foreign minister who has done so much to make the Middle East peace process a success, was only invited by Mr Rabin to attend the summit at the last minute, reflecting a decades old personality and power conflict between the two men.

Asia-Pacific forum opens in harmony

By Victor Mallet in Bangkok

Asia-Pacific nations celebrated the end of the cold war yesterday by launching the Asean Regional Forum (ARF), a multilateral security group that includes China, Russia, the US and 15 other members.

Foreign ministers put forward numerous proposals for improving security, including measures to prevent weapons proliferation, and the establishment of a regional peacekeeping centre. ARF members are expected to decide which ideas to implement at their next ministerial meeting in Brunei in 1995.

For alphabetical reasons Vietnam, represented by Mr Nguyen Manh Cam, the foreign minister, and the US, in the form of Mr Strobe Talbot, deputy secretary of state, found themselves in adjacent armchairs at the meeting in a Bangkok hotel.

Several participants remarked on how the end of the cold war had put a stop to old confrontations but created

new uncertainties. "Many interlocutors said that five or 10 years ago it wouldn't have been possible to have these ministers discuss things - and it was in a harmonious way," said a Canadian official. "This was a historic first meeting and got off to a good start," said another.

Territorial claims in the South China Sea, the North Korean nuclear crisis and the problems of Burma and Cambodia were among the issues raised.

Mr Qian Qichen, China's foreign minister, sought to allay Asian fears of Chinese expansionism by reiterating that "China does not engage in aggression or expansion, or seek hegemony".

Mr Roberto Romulo, foreign minister of the Philippines - which, like China and four other countries, lays claim to islands in the South China Sea - suggested that the various military garrisons on the reefs of the Spratly archipelago should communicate through a common radio frequency and play volleyball with each other to reduce tensions.

Zaire bank governor defies suspension

Zaire's central bank governor Ndiang Kabulu ignored his suspension and turned up for work as usual yesterday in defiance of prime minister Kengo Wa Dondo, Renter reports from Kinshasa.

Colleagues applauded Mr Ndiang, who was suspended on Friday pending an audit of recent bank transactions, as he arrived at his office in the Bank of Zaire.

But a board meeting to discuss the crisis at the bank was chaired by the man appointed as his temporary replacement, deputy governor Matomina Kiala, bank officials said.

Mr Kengo's government has accused Mr Ndiang, in the job since February, of flooding Zaire's black market with millions of newly printed zaire notes, sending the national currency into a disastrous downward spiral and triggering hyperinflation.

They say the governor, appointed by President Mobutu Sese Seko, ordered notes to be printed for friends, influential politicians and army generals.

In an interview with an opposition

newspaper, Mr Ndiang angrily denied the charges. He challenged the legality of his suspension and said he had asked President Mobutu to rule in the matter.

"A governor of the central bank, appointed by presidential command, who enjoys a certain autonomy and prestige thanks to the importance of the institution, cannot be suspended or fired any old way," he told the newspaper Le Potentiel.

"I am ready to show all the accounts and outgoing for the bank from the start of my mandate until the present day. I demand that justice be done," he added.

He said he was launching legal proceedings against finance minister Pay Pay Wa Syakassighe, who compiled a damning report on the Bank of Zaire's activities, for abuse of position, denigration of character and drawing up a false report.

The currency, the zaire, a reliable barometer of public sentiment, firmed to 1,050 to the US dollar from 1,400 before the governor's suspension.

Oil strike threat to foreign workers

Foreigners working for multinational oil groups in Nigeria said yesterday they were taking seriously threats by striking oil unions and pro-democracy groups against expatriate strike-breakers. Renter reports from Lagos.

An oil industry official said the threats had forced companies to tighten security at terminals.

Both striking oil unions, Nupeng and Pennassan, have warned oil companies that action would be taken if expatriate staff did not stop work and back the strike to force an end to military rule in Nigeria and gain better management of the oil industry.

The unions blame the use of expatriate staff and some senior Nigerian management staff for the failure of the strike, now in its fourth week, to cause serious disruption to crude oil production and exports.

BCCI hearings adjourned

The Abu Dhabi appeals court yesterday adjourned until September 7 hearings called by defence and prosecution following the conviction last June for fraud, embezzlement, theft and mismanagement of 11 out of 12 former officers of Bank of Credit and Commerce International. Robin Allen reports from Abu Dhabi.

The twelfth man, acquitted on June 14, is being held pending appeal.

Three of the 12 were missing from the latest hearing on Sunday.

They were BCCI's founder and former president, Mr Agha Hassan Abedi, who was sentenced to eight years in absentia and is an invalid in Karachi; Mr Mohammed Swaleh Naqvi, who was sentenced to 14 years in absentia and had already been extradited to the US to stand trial on BCCI-related charges; following an agreement between Abu Dhabi and the US justice department; and Mr Ziauddin Ali Akbar, who is in jail in London.

Mr Mohammed al-Dhahiri, United Arab Emirates attorney general, is appealing against the acquittal last June of Mr Iqbal Ahmed Radhwi.

Gambian pledge on democracy

Gambia's new leaders pledged yesterday to name a democratic government as soon as possible following their weekend coup and partially lifted a dusk-to-dawn curfew. Renter reports from Banjul.

"We will never introduce dictatorship in this country because the average Gambian is being nurtured with democracy," Lieutenant Edward Singhatey, 25, a member of the five-man ruling military council, said.

Ousted president Sir Dawda Jawara arrived in Senegal on Sunday evening with about 40 relatives and officials and was granted political asylum on humanitarian grounds.

In Banjul, diplomats said people were going to work normally on Monday but the airport and land borders were still closed. Officials said the curfew had been relaxed to midnight to 6 a.m. instead of 7 p.m. to 7 a.m.

Politicians catching up with Japan's military

Post-cold war adjustment has preceded its new legal right, reports William Dawkins

Vice admiral Kazuya Natsukawa, commandant of Sasebo naval district, covering the vital sea lanes off southern Japan, has just been given the legal right to do his job.

It was granted by his commander-in-chief, the new socialist prime minister Tomichi Murayama, who last week clarified nearly 30 years of muted debate on Japan's pacifist constitution by declaring that his party had dropped its belief that Japan had no right to maintain armed forces.

Mr Murayama's about-turn, supported by just more than 60 per cent of his party members, makes little practical difference to the role of vice admiral Natsukawa's ships. The vice admiral confesses in any case to polite scepticism over the prime minister's pronouncement.

Nor does it affect the big changes among Japan's pragmatic defence planners, as they start to adjust, irrespective of Japan's political turmoil, to the regional instability that has followed the end of the cold war.

That much was clear when vice admiral Natsukawa led his ships on manoeuvres off the southern port of Kagoshima recently, honing their ability to respond to whatever threat an unstable north-east Asia might throw at them. He admitted, with a frankness that might startle his politi-

cal masters, that his forces are technically ready to support a US naval blockade of North Korea, should there be call for one.

"We would rather call it a sea intervention than a blockade," he adds, in a nod to political delicacy.

For the first time, a national self defence agency white paper published this year singles out North Korea - a

serious destabilising factor - rather than Russia as the main threat to regional security.

What this means for the practical organisation of Japan's military should become clearer early next month when a government panel, appointed by former prime minister Morihiro Hosokawa in February, is due to publish the first overhaul of defence policy for 18 years.

One message, according to an early draft of the report, is that Japan must be less reliant on the US - which keeps 24,000 troops on the archipelago - for its protection, because the end of the cold war has reduced Japan's strategic value to Washington's security. That implies more

defence budget this year of ¥4.679bn (£30.5bn). This is, however, purely a reflection of the yen's strength and the self defence force's high wage and pensions bill.

The forces actually in use are in line with Japan's low military profile, even if hard to reconcile with the strict wording of the constitution's pacifist article 9, that "war potential will never be maintained". Less than a quarter of Japan's defence budget goes on equipment, about 80 per cent of which is made by Japanese companies, often under licence from the US.

At just less than 1 per cent of gross domestic product, conveniently below the mark considered a political flashpoint, Japan devotes less of its wealth

to defence than do Germany or Italy. The total tonnage of its 160 navy ships makes the Japanese navy smaller than that of Britain or France. Its 150,000 troops, already well below the authorised ceiling of 180,000, makes the Japanese army slightly larger than Britain's.

The government has already started to trim military spending and both

intelligence division.

Defence agency planners interpret article 9 to mean a ban on the purchase of instruments of overt aggression such as aircraft carriers and ballistic missiles. This is much harder to interpret in battle. The dividing line between what vice admiral Natsukawa and his colleagues may or may not do to defend their ships is almost impossible to define. They may shoot at incoming missiles; but do they have to ask parliament's permission to shoot at the ships, aircraft or launchers that fired them?

Article 9 has also been taken, by a 1993 cabinet resolution, to rule out participation in "collective security" arrangements beyond its own frontiers. This is supposed to limit the ground forces to defending the Japanese islands in case of invasion, and to restrict the navy to policing sea lanes up to 1,000 nautical miles from Japan.

The rule against collective defence could complicate any attempt to take part in one of America's theatre missile defence programmes, ideally suited to counter the North Korean threat, as suggested in the panel's draft report. But the 1,000-mile rule does mean North Korean waters are legally in the navy's reach - especially now that the self defence forces themselves are constitutional.

Record first-half fall in Japanese vehicle output

By Michio Nakamoto in Tokyo

Japanese vehicle production in the first six months of this year was down 10.8 per cent, a record first-half fall and the first time the industry has seen a fourth consecutive fall, according to the Japan Automobile Manufacturers Association.

Vehicle production between January and June totalled 5.2m units compared with 5.9m units in the same period last year. The previous record fall was 8.4 per cent in 1974, JAMA said. In June alone, vehicle production fell 3.2 per cent to 966,882 units.

The fall came in spite of a more moderate fall in domestic demand of 3 per cent to 3.8m units. JAMA attributed the decline to falling exports caused by the yen's rapid appreciation and to a growing trend towards overseas production. JAMA estimates that exports in the period fell 30 per cent.

Mitsubishi Motors said yes-

terday it would start manufacturing an upgraded version of its popular Galant car in the US next spring in an attempt to avoid the worst effects of the high yen.

Although Mitsubishi plans to export engines for the car from Japan, the company has already agreed to buy transmissions for the car from Chrysler, the US carmaker, to reduce costs.

Honda is to invest \$310m (£200m) to boost its north American operations. Honda said it would increase car and engine manufacturing capacity and strengthen R&D and sales in north America, and increase exports from there.

Such moves have been a significant factor behind falling domestic production levels, JAMA said.

Car production fell 11.9 per cent in the first half and 5.4 per cent in June, the 15th consecutive monthly fall. Production of trucks fell 7.5 per cent and of buses fell 12.4 per cent.

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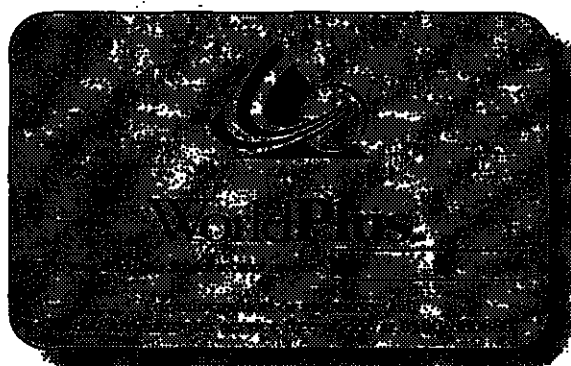
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NEWS: WORLD TRADE

Brussels delay on export credits

By Guy de Jonquieres, Business Editor

The European Commission is to delay until autumn a decision on rules for short-term export credits, in an attempt to meet British objections that its draft regulations would unfairly jeopardise the UK system.

The Commission had been expected to publish the rules this month. However, Mr Karel Van Miert, the European competition commissioner, agreed to the delay after a meeting last week with Mr Richard Needham, Britain's trade minister.

But though Mr Van Miert is to reconvene the commission's approach, observers are unsure if it will be technically or politically possible to find a compromise which satisfies all sides.

The proposed rules, which the Commission has the authority to impose, are intended to prevent unfair competition by clamping down on government subsidies.

The rules would apply to "marketable" risks, defined by Brussels to include all commercial risks within countries belonging to the Organisation for Economic Co-operation and Development except Turkey.

Britain objects that a proposed ban on state reinsurance of "marketable" risks could threaten its government's policy of financing, through the Export Credit Guarantee Department, a small portion of the country's short-term credit reinsurance exposure.

UK credit insurers, such as the Dutch-owned NCM group, say the policy brings valuable stability by cushioning the risk of sudden shortages in reinsurance capacity.

However, the UK complains that because the system does not distinguish between commercial and political risks, the Brussels proposals would create unnecessary confusion and could lead to complete withdrawal of government support.

Britain also denies that the government financing constitutes a subsidy.

The UK is particularly incensed because, it says, it has already moved far to meet the commission's overall objectives by privatising ECGD's short-term export credits business three years ago.

Brussels has sought a compromise which would enable the UK arrangements to continue temporarily. But Britain has rejected the offer, insisting the proposed rules must recognise its system as permanent.

That demand, however, is opposed by France, Belgium and Spain. They argue that anything less than a total ban on state reinsurance would leave open a loophole for unfair subsidies.

Heatwave increases sales - but foreigners are benefiting, writes Emiko Terazono

Imported beers boost market share in Japan

Demand for beer in Japan has surged in recent weeks thanks to a prolonged heatwave. However, officials at the country's leading beer companies are not so sunny, as an increasing number of Japanese consumers are quenching their thirst with imported beer rather than domestic brands.

Cheap imported beers are challenging the leading domestic manufacturers which have long dominated the Japanese market. The yen's strength and bulk purchasing power are helping big retail chains offer customers foreign beers at half the price of the domestic brews.

Cutting out the middlemen through direct imports from manufacturers has also allowed retailers to lower prices.

Foreign beer imports increased five-fold during the first four months of this year, and some analysts expect sales of foreign beers, now 2 per cent of the market, to rise to 4 per cent by the end of this year.

Even Dai-ichi, the nation's largest supermarket operator, which triggered the recent boom in imported beer by offering cheap Belgian beer, has been surprised by the popularity. The retailer began selling 300ml cans at ¥128 (\$1.39) a can alongside domestic beer at ¥230 late last year.

It initially expected to sell around 70,000 cases of imported beer this year, but achieved that target in the first month. It now expects to sell 2m cases, thanks to the heatwave, and sees import brands accounting for over half its total beer sales this year. Other discount liquor stores and retail chains have followed suit, and are also experiencing high demand.

The widespread discounting of beer comes four years after anti-trust regulations concerning beer pricing were put into place.

In 1990, the Fair Trade Commission pushed leading beer companies to advertise in mainstream dailies that retailers and wholesalers were



Summer in the city: Over 40,000 people bathed in a Tokyo swimming pool in last Sunday's heat

allowed to set their own prices.

Some beer company officials, however, regard the recent boom in import beer sales as likely to subside. "People are attracted to the prices but it doesn't mean that they will continue to store their cupboards with cheap imports," said Asahi Breweries.

Domestic brewers still regard the taste of their own brands as superior to that of imports and so far, while prices of foreign brands have been reduced, domestic beer prices have not been discounted aggressively.

But analysts point out that this will change soon. "It's a crack that will

lead to the dam's downfall," says Mr Paul Heaton, retail analyst at brokers Baring Securities in Tokyo. He expects the domestic beer companies will need to start rationalising their complicated distribution system to reduce costs and maintain their market share.

Taiwan to open building sector to foreign companies

By Laura Tyson in Taipei

Taiwan will open its construction industry to foreign companies as part of its efforts to further its application to join the General Agreement on Tariffs and Trade.

In recent meetings, the US, Japan and other countries have made support for Taiwan's GATT entry conditional on improved market access in government procurement and big infrastructure contracts, among other measures.

The announcement on the contracting sector follows reports that US negotiators were largely satisfied with Taiwan's plans to liberalise services and government procurement as outlined during trade talks in Washington last week. More talks on Taiwan's GATT membership terms are scheduled for next month.

Taipei representatives of foreign construction companies were cautiously optimistic about the measures, which are to take effect by the end of this year subject to cabinet approval.

"It's a good step forward," said an official at a European company involved in building Taiwan's transit system. "This means that foreign companies will be able to establish themselves properly here. But we will be watching closely to

see whether the legislation is implemented in a transparent manner."

Under the draft, foreign construction companies with at least NT\$400m (US\$15m) in capital and NT\$45m in total revenues over the last five years will qualify to set up an office in order to bid for big projects.

The capital requirement for foreign companies is four times that for local ones. "Opening the industry to foreigners already will give local companies a hard time. The aim is to slightly protect local companies," said an official with the construction and planning administration.

In 1990, Taiwan announced an ambitious long-range infrastructure development plan with projected spending of US\$300bn. Last year the plan was scaled back to US\$200bn, but most projects are well behind schedule and many are likely to be quietly jettisoned.

Nonetheless, Taiwan has a substantial number of large-scale projects in the pipeline and foreign companies are vying for contracts. Especially keen are Japanese and Korean companies, which Taiwan has excluded from many government contracts in an effort to carry diplomatic favour with European and North American governments.

Kuwaiti deal for South Korea

By Robin Allen in Dubai

South Korea's Hyundai Engineering & Construction Company has won the civil works contract to build a 2,400MW power station at Subiyah, in a remote area near Bubiyan Island on the northern side of Kuwait Bay, for Kuwait's Ministry of Communications, Electricity and Water.

Hyundai's bid of KD125m (\$422m) was about \$45m less than the second lowest, submitted by the UK's Wimpey in a joint venture with the Greek-headquartered Consolidated Contractors (CCC). Japan's Mitsubishi Heavy Industries is supplying and constructing the turbines and boilers under a \$1.2bn contract awarded last March.

Poland's Polymex is to supply the oil and water tanks. Local Kuwaiti companies are to benefit from other subsidiary work, an important factor in an economy where state contracts outside the petroleum sector are scarce. CCC has a contract worth \$100m to supply the fuel lines from Doha power station to Subiyah, and Kuwait's Gulf Dredging Company is to build the offshore water intake cooling system. Consultant at Subiyah is the UK's Merz & McLellan.

Subiyah is due to be completed in 2000, although the first two units, providing 600MW, will come on stream in 1997. This additional generating capacity will be more than sufficient to satisfy Kuwait's power needs over the next four years. Total generating capacity is estimated to be almost 7,000MW, with water desalina-

tion capacity of more than 200m gallons a day, compared with peak summer consumption levels of some 4,000MW and 160m gallons a day.

Plans to build a power station - and indeed an entire city - at Subiyah pre-date the Iraqi invasion of Kuwait on August 2 1990. Since the end of the war, the population of Kuwait has fallen by nearly 30 per cent, raising questions about the need to develop areas in the north, especially at a time of chronic budget deficits, cuts in government spending and plans to introduce personal income taxes.

Diplomatic and industry sources suggest there are two reasons why the government is willing to spend \$2bn on Subiyah. Subiyah will be linked with the rest of the national grid, so its additional capacity

can compensate for the demands that will come with building the proposed petrochemical complex at Shuaiba, south of Kuwait city. This \$2bn plant is to be a joint venture between Kuwait's Petrochemical Industries Company and the US's Union Carbide.

Also, the government's development of the northern part of Kuwait, including Subiyah and neighbouring Bubiyan Island, would be a clear statement of intent to Iraq that the Kuwaiti government is consolidating its presence in the north by proceeding with its pre-war development plans.

With the fourth anniversary of Iraq's invasion a week away, such a statement from Kuwait is symbolic, as Iraq has refused to recognise either Kuwait or the new United Nations boundary between the two countries.

The joint venture is likely to be the only one in the construction machinery sector in these rapidly growing regions for some time, as China's Ministry of Machinery Industry has no other plans to authorise similar tie-ups, Kobe Steel said.

Kobe Steel plans Chinese venture

By Michio Nakamoto in Tokyo

Kobe Steel, the Japanese steel and construction equipment maker, has agreed with Chengdu Engineering Machinery Group of China to set up a joint venture company to manufacture and market construction machinery in China.

The agreement, to be signed today, marks the first joint venture involving a Japanese company making construction machinery in China.

The joint venture, to be

called Kobelco Chengdu Machinery, will initially be capitalised at \$1m, with Kobe Steel and Chengdu Engineering Machinery each taking a 45 per cent equity stake. Shinso Corporation, a trading company affiliated with Kobe Steel, and Itochu, the Japanese trading company, will also own 5 per cent each.

Kobelco Chengdu Machinery will initially make, market and service 60 units of hydraulic excavators and other types of Kobe Steel's construction

machinery. The rapidly growing south-western and north-western regions, which the joint venture will serve, are together expected to account for 30 per cent of Chinese demand for hydraulic excavators, Kobe said.

Full-scale production is expected to begin after June 1996, when the partners will consider expansion of production facilities and equipment to make 1,000 units and target annual sales of ¥10bn (\$101m).

The Chinese market for con-

struction machinery is expected to double from the current 10,000 units a year to about 20,000 units by 2000, according to the Chinese authorities. The country aims to produce all of its construction machinery domestically by that time.

The joint venture is likely to be the only one in the construction machinery sector in these rapidly growing regions for some time, as China's Ministry of Machinery Industry has no other plans to authorise similar tie-ups, Kobe Steel said.

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NEWS IN BRIEF

Ford's exports from US rise 75%

Ford said it shipped \$7.215 cars and trucks from North America to overseas markets in the first six months of 1994, up 75 per cent from a year earlier, Reuter reports from Dearborn.

It shipped 8,470 cars and trucks to Mexico, up from 698 a year ago. Exports to Europe and the Asia-Pacific region each were up about 85 per cent, the Middle East was up 37 per cent, and Caribbean and Latin America shipments rose 28 per cent, Ford said.

China tightens venture rules

China is tightening rules on setting up foreign joint ventures with the aim of protecting state assets, guaranteeing payment of capital and cracking down on sham companies, Reuter reports from Beijing.

The China Securities newspaper said the Industrial and Commercial Bureau had taken measures to tighten up procedures and state companies seeking ventures with foreign companies must report their assets to the state-owned Assets Management Bureau.

Japan in talks with Brussels

The European Commission and Japan open two days of annual trade talks today with an initiative to study derogation of the Japanese economy high on the agenda, Reuter reports from Brussels.

The Commission said the meeting would focus on access to the Japanese market and would also review Japanese and EU relations with the US.

Caribbean trade group set up

Twenty-five countries in the Caribbean Basin have signed an agreement to create the Association of Caribbean States (ACS) trade grouping, writes Canute James in Kingston.

The ACS has a market of 200m people and includes Colombia, Mexico and Venezuela, the countries of Central America, Cuba, the Dominican Republic, Haiti and Suriname and the 13 members of the Caribbean Community.

Renault parts pact with Iveco

Flat producer Iveco and the French car producer Renault yesterday announced that they would develop and produce industrial vehicle components for each other, agencies report from Turin.

CONTRACTS & TENDERS

HENRY DUNANT BENEVOLENT INSTITUTION TENDER ANNOUNCEMENT SUMMARY FOR HOSPITAL CONSTRUCTION

GR/Athens: Development of 8-acre plot and Erection of hospital building by use of the Part-trade method

- Awarding Authority: Henry Dunant Benevolent Institution, 23 Lycabettus str., Athens 106 72. Gr. Tel: 30 1 3644 456 Facsimile: 30 1 3613 564.
- a) Award Procedure: Public invitation for offers.
b) Contract Type: Part-trade method. This means that the Developer will finance the construction of the Hospital building and will recover costs by obtaining the development rights (approx 38,000 sq m of effective building area) over the rest of the site which is situated in a central part of Athens.
- a) Site: Mesogion Ave., Ampelokipi, Athens.
b) Works: Design, construct, finance the complete site development comprising the approx. 40,000 sq m hospital building, which shall remain the property of the Owner and one or two more commercial development buildings, totalling some 38,000 sq m that will become the property of the Developer. The hospital design shall follow existing preliminary design. The construction shall include the demolition of the top 7 floors of the existing 16-storey concrete frame, which will then be incorporated in the hospital building. The Developer shall also be responsible for obtaining all necessary building licences and permits, as well as for all phases of construction and will deliver the hospital complete and functioning, except for the medical and catering equipment which will be provided by the Owner.
- a) Completion Deadline: Design: mid 1995, Construction: end 1997.
b) Fee: Tender Documents Drac, 20,000 and for Preliminary Designs (optional).
Drac, 100,000
Payment method: Cheque
Payee: As in 1.
For more information see the full text of the invitation, which is distributed to Tenderers cost free. Apply to the Owner (see 1 above).
- a) Deadline for Receipt of Tenders: 12.09.94 (noon)

- Address: As in 1.
- Languages: For tender: Greek or/and English Agreement: Greek, Design: Greek and English.
- Form of Tender: In two separate envelopes: General Information and Financial Proposals.
- Opening of Tenders: Tenders acceptance procedure (prequalification) will start the day following submission deadline. The financial proposals of qualifying tenderers shall then be opened. Those of disqualified tenderers shall be returned unopened.
- Deposits and Guarantees: See tender documents.
- Financing and Payment: Contracts finance with the method of part-trade (see tender documents).
- Legal form in case of group Tenderers: Consortium with joint and several liability and designated leading firm.
- Qualifications: Tenderers financial and economic resources shall be assessed on the basis of their published balance sheets for the past three years. Designers and Building Contractors shall submit comprehensive prequalification dossiers containing such information, as required in the Tender Documents, on nationality, registration in their country of origin, work and other assets, pre-relevant experience, past and present projects, equipment and personnel, completed questionnaire forms and other criteria.
- Tenders may lapse after: 15th January 1995.
- Award criteria (other than price): Tenderers reliability, financial strength, experience and reputation, as well as the value of part-trade property offered to Owner (see Form of Tender and Instructions to Tenderers).
- Variants: Yes if relevant, provided original tender form and other conditions are also met.
- Other Information: As in 1.

Athens, 21st July 1994
For Board of Directors
The Chairman
ANDREAS K. MARTINIS

TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE.

Tropical hardwood trees are more valuable to loggers than other trees in the rainforest.

High prices for hardwoods ensure that loggers have no qualms about decimating other trees that stand in their way.

So a WWF project in Costa Rica is researching ways of killing a tree without bringing down several others around it.

And how to remove it without building a path through the surrounding forest.

If the rainforest are used wisely, they can be used forever. Help WWF prove this in rainforests around the world, by writing to the Membership Office at the address below.

WWF
World Wide Fund For Nature
University World Wildlife Fund
International Secretariat, 11th Floor, Switzerland

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (ECU). The ECU exchange rate shows the number of national currency units per ECU. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES					■ JAPAN					■ GERMANY					
Exports	Imports	Current account balance	ECU exchange rate	Effective exchange rate	Exports	Imports	Current account balance	ECU exchange rate	Effective exchange rate	Exports	Imports	Current account balance	ECU exchange rate	Effective exchange rate	
1985	279.8	-174.2	-182.5	0.7923	100.0	230.8	76.0	64.5	180.50	100.0	242.7	33.2	21.7	2,226.0	100.0
1986	290.9	-140.8	-152.7	0.9838	80.2	211.0	96.2	87.0	185.11	124.4	248.3	53.3	40.3	2,127.9	108.8
1987	220.2	-131.8	-145.0	1,154.1	70.3	197.3	85.1	75.3	169.58	123.2	254.8	56.6	38.6	2,070.6	116.3
1988	272.5	-100.2	-107.5	1,183.3	60.7	213.8	80.7	68.7	151.51	147.3	272.4	61.5	42.9	2,073.9	114.6
1989	330.2	-95.3	-92.2	1,101.7	64.3	245.3	70.5	52.6	151.87	141.9	310.3	55.3	32.2	2,068.1	113.8
1990	309.9	-79.3	-72.1	1,274.5	65.1	220.0	50.1	28.2	183.94	125.0	324.4	61.5	36.8	2,033.7	119.1
1991	340.5	-63.5	-67.1	1,239.1	64.5	247.4	83.1	82.9	185.44	137.0	327.4	11.2	-15.7	2,049.6	120.1
1992	345.9	-62.2	-51.4	1,295.7	62.7	254.8	101.7	90.0	184.05	142.9	330.6	16.8	-17.0	2,018.7	122.2
1993	397.3	-98.7	-88.8	1,170.5	65.6	300.0	120.8	111.2	130.31	173.8	310.2	26.9	-18.3	1,959.7	125.5
2nd qtr.1993	98.0	-24.7	-21.2	1,200.9	84.3	73.4	28.7	25.9	122.78	172.4	75.1	7.8	-3.1	1,953.0	124.0
3rd qtr.1993	99.6	-27.5	-24.3	1,144.3	85.4	79.1	32.2	28.2	120.89	180.7	76.6	6.2	-3.7	1,919.0	123.9
4th qtr.1993	106.8	-29.0	-26.9	1,138.6	95.4	75.6	30.3	26.9	123.20	183.2	71.7	11.7	-3.0	1,919.1	124.9
1st qtr.1994	106.8	-28.9	-28.4	1,124.4	96.8	81.1	32.8	26.1	129.51	185.6	79.8	8.4	-5.0	1,937.0	122.4
June 1993	32.1	-9.6	n.a.	1,183.3	64.5	25.3	9.1	7.9	126.97	173.5	25.1	2.8	0.7	1,949.9	122.2
July	32.8	-9.5	n.a.	1,134.9	65.9	26.7	11.3	8.7	122.24	181.1	24.1	2.2	-4.0	1,948.3	122.0
August	33.8	-9.9	n.a.	1,125.1	62.7	25.5	10.3	8.1	116.78	189.2	25.5	2.1	-3.0	1,908.1	120.6
September	32.9	-9.0	n.a.	1,172.8	64.7	25.9	10.7	8.4	123.63	181.8	25.9	1.9	-1.6	1,899.8	120.1
October	34.5	-9.3	n.a.	1,158.7	65.5	24.8	9.3	9.3	124.03	180.4	27.4	4.2	-1.9	1,899.5	122.2
November	35.5	-8.8	n.a.	1,128.2	66.8	25.1	9.9	8.8	121.86	181.8	27.4	4.0	0.6	1,818.2	124.9
December	38.9	-8.9	n.a.	1,129.7	67.0	25.7	10.6	9.2	123.52	173.5	28.3	3.5	-1.6	1,833.1	124.7
January 1994	35.2	-9.7	n.a.	1,113.9	67.5	27.1	11.3	11.2	124.03	177.0	26.9	3.3	-1.3	1,841.5	122.2
February	34.1	-10.8	n.a.	1,118.4	66.7	26.9	11.3	11.0	118.77	185.2	27.2	3.0	-2.5	1,897.7	122.2
March	37.5	-8.4	n.a.	1,141.0	68.1	27.2	10.2	9.8	120.04	185.3	26.7	2.1	-1.1	1,829.8	122.2
April	36.1	-10.6	n.a.	1,138.5	68.0	27.8	11.3	10.9	117.79	183.8	29.0	4.5	-0.6	1,838.9	122.2
May	35.5	-10.9	n.a.	1,182.2	65.3	26.1	9.6	9.6	120.87	186.2			-3.2	1,829.5	123.9
■ FRANCE					■ ITALY					■ UNITED KINGDOM					
Exports	Imports	Current account balance	ECU exchange rate	Effective exchange rate	Exports	Imports	Current account balance	ECU exchange rate	Effective exchange rate	Exports	Imports	Current account balance	ECU exchange rate	Effective exchange rate	
1985	133.4	-3.6	-0.2	6,794.2	100.0	103.7	-18.0	-5.4	1,443.0	100.0	132.4	-4.7	3.8	0.529.9	100.0
1986	127.1	0.0	0.0	6,794.2	102.8	99.4	-2.5	-1.4	1,481.6	101.4	108.3	-14.2	-1.3	0,740.7	81.8
1987	128.3	-4.6	-3.7	8,926.5	100.0	100.7	-7.5	-2.1	1,494.3	101.2	112.0	-10.1	-0.8	0,740.7	81.8
1988	141.9	-3.8	-3.4	7,029.4	100.0	108.3	-8.9	-8.0	1,536.7	97.8	120.9	-32.3	-25.0	0,894.6	95.8
1989	152.9	-6.3	-3.6	7,016.9	99.8	127.8	-11.3	-17.0	1,506.2	96.6	137.0	-38.7	-35.5	0,872.8	96.2
1990	171.1	-7.2	-7.1	8,113.9	99.4	133.6	-9.3	-18.0	1,523.2	100.6	142.3	-26.3	-25.6	0,716.3	81.8
1991	175.4	-4.2	-4.9	6,964.3	102.7	137.0	-10.2	-17.1	1,521.7	98.9	151.7	-14.7	-14.7	0,716.3	81.8
1992	182.5	-4.6	2.9	8,240.0	106.0	137.9	-8.0	-20.6	1,591.5	95.7	145.5	-18.2	-14.3	0,739.9	80.2
1993	177.8	13.9	8.9	8,626.1	106.3	144.3	17.9	6.2	1,836.7	79.9	155.3	-17.6	-14.0	0,779.0	90.2
2nd qtr.1993	44.5	3.1	1.4	8,611.8	108.7	36.6	3.9	1.7	1,814.2	81.2	37.7	-4.2	-4.4	0,768.2	80.2
3rd qtr.1993	45.0	3.9	3.5	6,958.8	104.8	34.2	6.1	3.2	1,813.9	79.8	40.3	-4.2	-2.6	0,760.5	81.0
4th qtr.1993	45.8	4.5	3.5	6,643.1	107.3	40.9	7.1	3.9	1,879.8	77.0	40.2	-4.7	-2.7	0,763.5	81.0
1st qtr.1994	48.1	2.4	2.3	6,598.1	108.1				1,852.6	78.5		-4.2	-1.0	0,768.4	81.2
June 1993	14.7	0.7	-0.42	6,584.2	106.9	12.5	1.8	0.8	1,778.0	82.5	12.9	-1.3	n.a.	0,763.7	79.8
July	15.1	1.55	1.27	6,639.8	107.4	12.5	1.8	0.9	1,776.8	80.8	13.1	-1.8	n.a.	0,768.6	81.2
August	14.6	0.7	1.27	6,876.1	105.3	7.8	0.8	0.2	1,803.6	79.7	13.2	-0.8	n.a.	0,768.6	81.2
September	15.3	1.57	1.00	6,549.8	107.5	12.0	0.9	0.1	1,833.9	79.9	13.3	-1.5	n.a.	0,768.6	81.2
October	14.9	1.28	1.17	6,863.1	106.9	13.2	2.3	2.0	1,865.9	78.2	13.3	-1.2	n.a.	0,771.2	80.4
November	15.2	1.22	1.00	6,863.7	106.8	12.4	1.7	1.8	1,860.7	79.0	13.2	-1.6	n.a.	0,762.0	80.4
December	15.8	2.02	2.38	6,802.5	108.2	13.2	3.1	0.4	1,803.6	76.1	13.4	-1.9	n.a.	0,767.5	80.4
January 1994	15.1	0.30	2.44	6,595.5	107.9	10.2	0.1	-0.7	1,892.6	76.2	14.4	-1.4	n.a.	0,768.6	80.4
February	15.0	0.78	-0.84	6,839.5	107.6	12.8	1.6		1,893.9	76.4	14.1	-1.2	n.a.	0,763.7	81.0
March	15.36	1.36	1.61	6,575.9	108.2				1,901.9	75.9	14.1	-1.6	n.a.	0,764.0	80.2
April	15.7	1.18	0.07	6,240.1	107.1				1,901.9	75.9	14.0	-1.6	n.a.	0,763.5	79.8
May	16.3	1.15	0.59	6,597.2	107.9				1,859.2	78.2	14.5	-1.0	n.a.	0,763.5	79.8

IRISH PEACE PROCESS

Paisley presses for new Ulster assembly

By David Owen, William Lewis and John McManus

Rev Ian Paisley will today urge Mr John Major to press ahead quickly with plans for a devolved Ulster assembly as part of a drive to secure a durable political settlement in Northern Ireland.

In a move likely to underline the delicacy of the task the government faces in forging a deal between Ulster's constitutional parties, Mr Paisley will present the prime minister with a document setting out the hardline Democratic Unionist party's proposed solution to the conflict.

Speaking within 48 hours of Sinn Féin's dismissal of the Downing Street declaration as inadequate, the DUP leader will call for the government to adopt additional security measures in the province.

He will argue strongly that London should not offer Dublin anything in return for

removing its constitutional claim to Ulster.

News of Mr Paisley's plans emerged as Mr Gerry Adams, the Sinn Féin president, insisted that the Irish peace process would continue, despite his party's refusal to recommend an IRA cease fire.

"The peace process is not dead, it is very much alive," Mr Adams said. "I remain optimistic that we can move on."

Mr Adams said, "I remain optimistic that we can move on."

In London, Sir Patrick Mayhew, the Northern Ireland secretary, said the IRA's political wing was now isolated. "Sinn Féin and the IRA, for whom they speak, are now seen to be continuing to use torture, murder, terror and indiscriminate violence for political purposes in circumstances where both governments say that the future of Ireland lies in democracy," he said.

In Dublin, the Irish government took pains to play down the appearances of a split between Mr Albert Reynolds, the prime minister, and Mr Dick Spring, the foreign affairs minister. In his initial reaction on Sunday night Mr Reynolds said he saw positive signals in Sinn Féin's response. But Mr Spring was much less positive saying that many people would be disappointed.

The DUP document is understood to draw on many points from an earlier submission drawn up by the party, entitled *Breaking the Logjam*.

This called for the election of an assembly that would be given the task of agreeing a form of government for Ulster within the UK.

Only once agreement had been reached and approved by voters in Ulster, and after Dublin had removed its territorial claim, would the assembly start negotiations on north-south relations.

Eyebrows raised by price of military decorations

Distinguished officers in Her Majesty's forces require little encouragement to hold forth about such matters as peacekeeping doctrine or the future of submarine warfare.

But there is another subject which can arouse equally strong passions, but is not so willingly discussed in front of outsiders: their own housing and privileges.

This month's disclosure of a £387,000 refurbishment for the home of an air chief marshal has reminded the public of one of the things that distinguish service life - the glamour of life at the top.

Many of the homes are listed historic houses. Among the finest is Admiralty House, a Georgian mansion overlooking Plymouth Sound. Others are simply expanded versions of the red-brick "married quarters" on glorified military housing estates.

The commander of British forces in Hong Kong enjoys a lifestyle in the colony's most fashionable district which would be the envy of many a civilian millionaire. Until recently UK forces in Germany occupied some splendid mansions commandeered in 1945.

There is no precise correlation between high living and responsibility. A decade ago the senior general in Northern Ireland was obliged by security factors to move from a mansion outside Belfast to more modest quarters inside a barracks.

Officers' residences, of

Bruce Clark on the furore over homes for the service 'top brass'

course, go with particular jobs, and the service couples who inhabit them are only too aware that in a year or two they will be washing their own dishes in plainer surroundings.

Senior officers will have to fight a skilful rearguard action to hold on to their privileges when defence costs are being trimmed and numbers reduced.

There are 67 official residences for senior officers in the UK, 26 for the navy, 23 for the army and 18 for the Royal Air Force. Another 10 residences are located abroad. However, 14 residences have been sold in the past year.

These establishments will hardly make or break the defence budget. Over the past two years the upkeep of senior officers' homes has cost the taxpayer about £5m, covering everything from new roofs to routine maintenance.

Some of the most exotic homes to which an officer can aspire - as head of the garrison in Brunei or military adviser in Oman - cost the UK taxpayer nothing because they are paid for by local sultans. Indeed, when set against total annual defence spending of £33bn, the sums spent on officers' homes seem paltry enough.

But looked at from another angle, the figures can be embarrassing. The average staff costs for each senior off-

icer come to about £65,000 a year, while the average value of each official residence is about £500,000.

There are some practical arguments in favour of the current arrangements. Senior service jobs include a public relations function comparable to that of ambassadors.

Their homes have to double as conference centres, restaurants and hotels for a stream of dignitaries ranging from parliamentary delegations to Middle Eastern potentates shopping for weapons.

Jobs with responsibility for conflict zones such as Northern Ireland or Bosnia keep the holder on duty for 24 hours a day.

Given that these positions are rotated every year or two, it makes better sense to keep permanent official residences than to provide officers with housing allowances and expect them to waste time searching for accommodation.

But these bread-and-butter arguments are not the ones most officers would use in defence of their homes.

In the end, they would say, a hint of mystique and glamour is one of the intangibles that draws talented people to service careers. Like so many aspects of service life, from drill to military tattoos, this cannot easily be explained to accountants.

Britain in brief



Insurance ruling boost for Names

The prospects of Lloyd's Names winning further compensation for losses suffered in the insurance market in the late 1980s were yesterday enhanced after the House of Lords ruled that claims under the law of tort can be brought.

The ruling clears the way for Names to bring more actions seeking compensation since under tort law claims can be made up to 12 years from the date when the alleged damage was discovered.

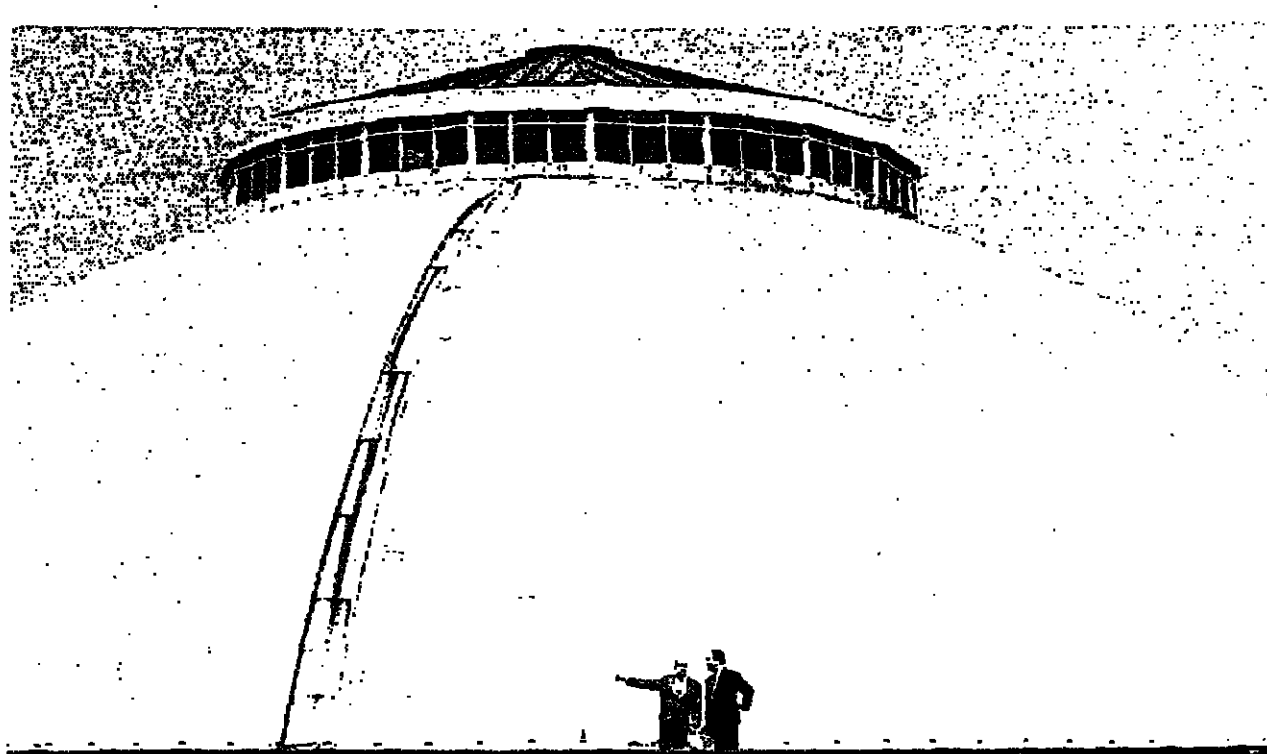
Claims for breach of contract have to be started within six years. Following the judgment, the Gooda Walker Action Group will now start proceedings against Littlejohn Fraser, the former Gooda Walker auditors, Mr Michael Deeny, the action group chairman said.

The action will centre on the use of "time and distance" policies by Gooda Walker's syndicate 290, he said.

Rollercoaster stays closed

Investigators from the official watchdog on safety said they had found "deficiencies" in the world's tallest roller coaster after a crash that injured 25 people.

The 235ft-high ride called the 'Pepsi Max Big One' was officially opened a week before the accident earlier this month. It will remain closed under a Health and Safety Executive



Architect Sir Norman Foster and Dr Robert Anderson, director of the British Museum, on the roof of the Round Reading Room at the launch of a £110m appeal to add 40 per cent more space for exhibits for the 7m visitors to what is the UK's most prestigious and popular museum. The project should be completed by 2003, the 250th anniversary of the founding of the museum.

prohibition notice issued last Friday while investigations continue.

The HSE said the notice, which forbids the carrying of passengers until the faults have been remedied, had been served on Pleasure Beach, the operator. Arrow Dynamics, the US makers of the ride, are still examining the computer systems that should have made it impossible for two trains to collide.

Kindersley share reward

Mr Peter Kindersley, founder and chairman of Dorling Kindersley, is digging deep into his pockets to reward executives with share options

worth almost £2.6m from his own holding in the illustrated books publisher.

Mr Kindersley yesterday announced he would make 260,000 shares - or 1.5 per cent of the company - available to executives in a private share option incentive scheme.

If all the options are taken up, Mr Kindersley will receive a total payment of £182,000 for the shares. He will still have a 40.1 per cent stake, worth £72m, in the company.

Mr Kindersley, at 53 a firm believer in employee share ownership, attacked the limitations imposed on option schemes by UK institutional shareholders. "In the US institutions realise the importance of motivating staff. Here, the reaction is that it is some sort of dilution," he said.

Three day rail disruption

Britain's railway network faces widespread disruption from noon today until after noon on Thursday with the escalation of the signalling dispute over pay. It is estimated that a quarter of the actual services will be running. Services will be running for the first time from London Victoria to Gatwick.

Rover sales jump 16%

Rover Group said that it may need to review its carmaking capacity next year if the company's current worldwide

sales upturn is sustained this year, then strengthened - as expected - by significant new models to be introduced from early 1995.

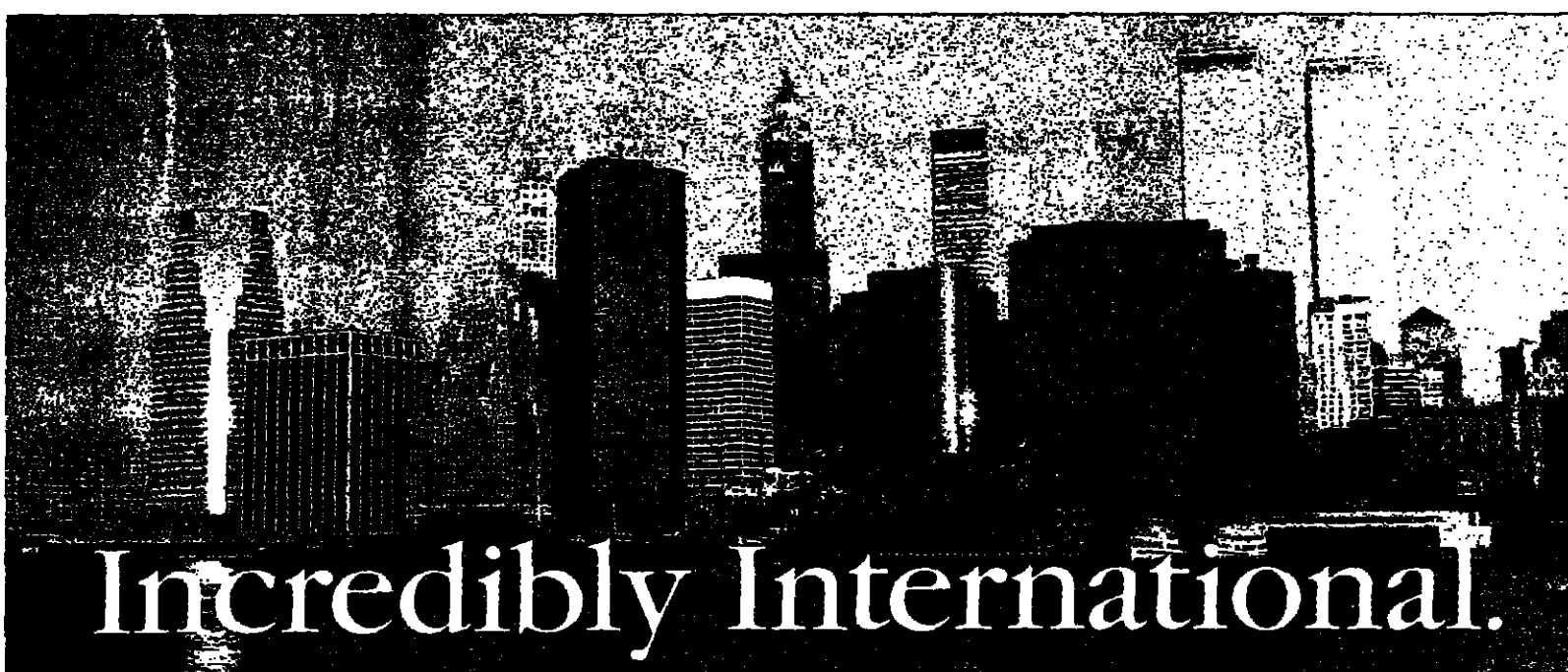
Rover, which was bought early this year by BMW for £200m plus debt assumptions, yesterday reported a 16 per cent jump in worldwide sales to the first half of this year. The increase, to 234,900 from 202,100 in the same period of 1993, took sales to their highest level for four years.

Production rose even more sharply, to 251,900 from 206,500 - a five-year high. Within these totals the biggest increases were accounted for by the Land Rover subsidiary. Its Discovery model has proved one of Rover's biggest successes and it has just announced a £68m investment.



Matterhorn

Incredibly Swiss.



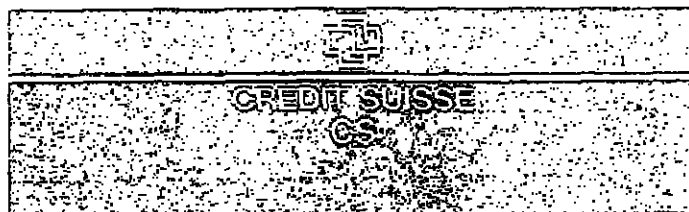
Manhattan skyline

Incredibly International.

Consistent service quality and far-sighted strategic thinking are the foundations of Credit Suisse's international success. As the oldest of Switzerland's three big banks, we are totally committed to the solid traditional values for which Swiss banking is famous.

But our activities extend far beyond Switzerland. Credit Suisse, in partnership with CS First Boston, is one of the world's premier financial services groups. We operate effectively in every market, offering expert service with a global horizon.

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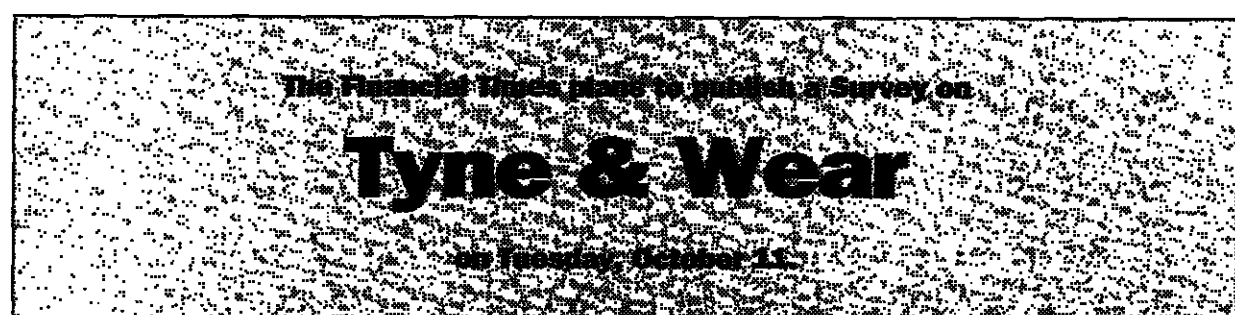
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NEWS: UK

THE MILFORD HAVEN BLAZE

Texaco probes refinery fire

By David Lascelles,
Resources Editor

Investigators will today move into the stricken Texaco refinery at Milford Haven, on the Welsh coast, to ascertain the cause and extent of the 36-hour blaze which forced closure of the plant.

The main fire was extinguished last night, and two smaller fires were being allowed to burn themselves out.

But investigators had to wait for temperatures to cool before they could approach. There were no major injuries from the fire, though the explosion which caused it on Sunday damaged nearby buildings, and caused some minor injuries to Texaco staff.

The fire was centred on the catalytic cracker, a key part of the process for making petrol at the refinery, which is situated

at Milford Haven, an estuary on the far south-west coast of Wales close to Pembroke.

Texaco said last night that it hoped to have a preliminary indication of the extent of the damage done to the plant by late this afternoon. The fire is thought to have been caused by a lightning strike.

The US oil company said that the damage would have no immediate effect on its ability to supply its network of service stations in the UK or its contracted commercial customers. It also said that it would be able to maintain product quality.

News of the blaze caused a small rise in the price of petrol in the wholesale market yesterday morning.

According to Platts, the information service which monitors trade in petroleum products, petrol rose about 5 pence to 190. But generally,

petrol companies doubted that the closure of the refinery, which accounts for about 10 per cent of UK refining capacity, would have major repercussions, even though the blaze has struck at the height of the summer motoring season.

There is a 5-10 per cent capacity surplus in the UK, and all the major petrol companies have product exchange arrangements to deal with shortages. The UK is also a large petrol exporter, and supplies could be diverted back on to the domestic market if need be. Alternatively, imports could be brought in from the Continent where stocks are plentiful.

"We don't expect there to be any significant effects on supplies," said a spokesman for Shell, the largest UK petrol retailer.

Texaco is a major supplier to

supermarkets who have recently begun to attack the petrol market.

However, Tesco said last night that Texaco was only one of many suppliers. "We don't anticipate any problems in supply, and we still aim to be the cheapest in any given area," said a spokeswoman.

The first shipment of oil from the UK's new fields west of Shetland, the island to the far north-east of the northern coast of mainland Scotland, will be loaded next week, opening a fresh era in UK offshore oil.

British Petroleum will be loading a test cargo of oil from its recently discovered Foina field, which lies in 1,600 feet of Atlantic water. The first large-scale shipment will occur in September.

Foina, an adjacent field, is estimated to contain up to 1bn barrels of oil.

Radical tax plans threaten PAYE

By Andrew Jack

The UK's pay-as-you-earn tax system could be subject to the first significant restructuring since its creation 50 years ago, under radical plans being considered by the Inland Revenue.

Taxpayers may face the prospect of speedier and more accurate calculation of their liabilities but with the focus shifting to adjustments of any errors at the end of each tax year rather than during the year when their tax is deducted from payroll.

The changes would follow sweeping reforms currently being implemented to the two other most important elements in the tax system: the shift to "pay and file" for companies, and to "self-assessment" for self-employed taxpayers and those with complex tax affairs.

These initiatives are designed to speed up the gap between receipt of income and the payment of tax, and to place the onus for the first time on individuals and companies to calculate for themselves how much tax they owe rather than relying on Revenue inspectors to do the work.

Senior Revenue officials are considering changes to PAYE as part of efforts to fulfil the department's commitment to get tax assessments "right first time". Any changes are likely to take place only over a number of years.

The most radical reforms would involve simplification of the tax system, which would require a commitment by ministers. But officials believe they could also achieve considerable improvements through internal management change. These could include greater use of computer support, more accurate collection of staff information, and concentrating efforts on accuracy in tax coding.

Carmakers count cost of waiting for the plate

John Griffiths reviews the arguments for and against abolishing the annual prefix letter system for the registration of new vehicles within the UK

Many dealers say that the effect of motorists deciding to "wait for the plate" are felt as early as May.

Left unchecked, said Prof Rhys, the bulge could continue to expand until it reached 42-43 per cent of the market.

But carmakers, having adopted "lean" manufacturing systems, are also introducing lean distribution - requiring as little as two weeks between placing of order and delivery.

That would be too late to prevent the "N" plate going ahead on August 1 next year.

But if the society has its way, the "P" plate due in 1996 will never appear.

It might seem strange that much of the motor industry, still reeling from its worst recession since the second world war, now wants to abandon a system which the society itself expects will lead to about 500,000 new cars being registered next month.

But even the big UK manufacturers consider that the benefits of the larger market presumed to be created by the system are outweighed by the disruption it causes to both trade and industry for several months either side of August.

Uneven cashflow, increased marketing and stocking costs and coping with the flood of unwanted trade-ins left on dealers' forecourts in September are just some of the problems which the August "bulge" has created.

This year new-car registrations in August could exceed one-quarter of the entire year's total for the first time, said Professor Garel Rhys, SMMT professor of motor industry economics at Cardiff Business School. In contrast, July has become a virtual sales desert for dealers, accounting for about 2 per cent of registrations.

proportion to the rest of the year. They have to stock and safeguard around three times their normal numbers of new cars, absorb the associated costs, deal with staffing problems during the UK's peak holiday period and at the same time they have to ensure that every customer gets sufficient care and attention.

Industry analysts believe that even if August registrations do match the 1993 record, they will be achieved, at best, at only marginal profit.

The 1993 record was set during a booming economy with consumer confidence at an all-time high. In contrast a boom in registrations next month would be against a background of continuing economic uncertainty, a faltering housing market and other signs of consumer misgivings.

Prof Rhys said it could only mean a heavily forced market, with marketing incentives offered at a huge cost to the industry and many cars pre-registered by dealers for which there may be no actual buyers.

Alternatives so far suggested include number plates based on regions; a prefix introduced at short notice at variable times during the year; and random use of the remaining prefix letters.

An attempt to revise the system in the late 1980s failed largely because the industry could not reach consensus on an alternative.

However, the police also opposed abandoning the annual prefix because, the Home Office said, it helped people remember number plates and thus catch wrongdoers.

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Technically Speaking

When anomalies become the norm

By Raymond Peto

Let me set the scene. You are a senior executive in a business where your success is largely due to good scientific research done in a textbook manner. Ideas and projects are assessed by means of achievability, funding is allocated either internally or by grants, and the whole is guided by the opinions and boundaries dictated by experts and learned magazines.

So far so good. Now let me raise a question. Someone in your organisation notices an anomaly. This, by definition, is "an irregularity or departure from the common rule".

At this point, the usual thing is that the anomaly is ignored. An anomaly is an embarrassment. It may mean the validity of the work so far is in question. This person may check with magazines and databases and will find no reference to his problem.

He may discuss it "off the record" with his peers. It will affect present and future funding and credibility if he follows it up. Quite often, an anomaly questions tried and tested scientific laws that have worked well for years. This researcher is daring to suggest that they are wrong or at least need modifying.

The pressures on this person will probably stop him reporting his findings to you. There is an automatic human reaction when exposed to an anomaly and that is disbelief. This is healthy.

The next reaction is the belief that by not recognising the anomaly and not researching it, it will cease to exist. This is fear and also faulty thinking.

No one is to blame here. It is the system that has grown up over the years to ensure that projects are worthwhile for funding, that the funding is well spent on "do-able" ideas and that professional journals and databases screen out faulty information.

The solution is to make anomaly research a legitimate subject. The snag at the moment is that the scientific community, though aware to some degree or other of the problem, is powerless to do

anything about it. (If scientists talk about it, they risk their funding.)

This is where you, as chief executive, come in. You have nothing to lose and much to gain by allowing anomalies to become a subject for discussion and by positively promoting anomaly research within your business. It could then be discussed and researched, funding would become available and information could be published about it.

Worldwide, there are probably a few thousand researchers working on anomaly research-related projects. They are mostly self-funded or funded by their own businesses, but increasingly they are being funded by enlightened companies, with the most significant funding coming from Japan and the US.

There are dozens of formal and informal societies set up to promote knowledge between the research workers. The advent of person-to-person networking via the telephone system allows global communication between individuals.

This all bypasses the traditional research mechanisms that are not geared up for anomaly research. The following example from my particular area of research, energy generation by non-conventional techniques, illustrates what I mean. This quote is from The Denver Report issued by Pace (The Planetary Association for Clean Energy) about a recent symposium attended by 350 leading experts in new energy.

"There are now eight variations of experimental findings worldwide related to cold fusion. Despite popular belief, this technology is not 'dead' and is generally low profile in very competitive patent development stages... replication and further research is being done in over 30 countries."

This may be of no relevance to you, but whatever your area of interest, I can assure you that there are anomalies and that people are working on them somewhere.

The author is an independent electronics engineer.

Some 160km west of Tokyo in Japan's coastal Tokai region is what may be the world's most dense array of geophysical instruments. More than 150 meters and gauges track seismic activity, rock strain, crustal tilt, tidal movements and ground water levels.

The data are telemetered to Tokyo where they are monitored around the clock in the hope that six experts, to be summoned at a moment's notice, will recognise unusual phenomena that may indicate an imminent earthquake. If the committee so advises, Japan's prime minister will issue an earthquake warning for the Tokai area.

Trains will be stopped, traffic routed out of the area, stores closed and pupils let out of schools. Areas prone to landslides and tidal waves will be evacuated. Hospitals, fire-fighters and rescue crews will go on alert. And then everyone will wait for an earthquake measuring eight on the Richter scale.

Long after the rest of the world has abandoned hope of predicting earthquakes, Japan continues to spend \$2.5m (£1.6m) a year monitoring the Tokai region and close to \$100m more on general earthquake prediction research. For prediction believers, it is a small price to pay, as Japan is one of the world's most earthquake-prone countries.

But for increasingly vocal sceptics in Japan, it is at best a misguided effort that wastes money and is dangerously misleading the public. Despite the protests, however, Japan's earthquake prediction programme rolls along on inertia, insularity and unrealistic public expectations.

Japan made earthquake prediction a national project in 1965 when scientists throughout the world were optimistic about prediction. Research was also being taken seriously in the US, Russia and China.

In Japan, prediction took on urgency when seismologists concluded that the Tokai area was overdue for a significant quake.

The Suruga Trough, a deep submarine trench running just offshore, forms the boundary between two of the earth's tectonic plates. The Philippine Sea Plate is diving beneath the Eurasian Plate. Friction between these plates causes the area's earthquakes.

The Tokai section last ruptured in 1944. If the entire section ruptures again, the resulting quake could reach eight on the Richter scale, endangering the lives of 10m residents in the area. That prospect led to the 1978 Large-Scale Earthquake Countermeasures Act, which established the warning procedure and launched hazard mitigation and emergency response programmes.

Since then, optimism about prediction has faded. Even prediction supporters admit there is no scientific theory on which to base a forecast. Prediction hinges on spotting anomalous phenomena, or precursors. Unfortunately, it has proved impossible to conclude consistently and definitively whether the sign-predictors look for - swarms of small earthquakes, unusual bulges and creeps in the earth's crust, sudden changes in geomagnetism or electrical resistivity - are precursors or simply background geologic noise.



High risk: Japan is one of the world's most earthquake-prone countries

Waiting for the big one

There is growing scepticism about Japan's earthquake prediction programme, writes Dennis Normile

There are also questions as to whether Japan's monitoring efforts are focused in the right place. Recent studies by seismologists at the Ministry of Construction have indicated the possibility of a significant quake occurring in the Izu area between Tokai and Tokyo. The city is overdue for a big quake, according to several theories. Japan has had numerous killer quakes outside the Tokai monitoring network, including a 7.8 earthquake off the coast of Hokkaido last year that claimed more than 200 lives.

Kiyoo Mogi, chairman of the six-member panel that will make the call on the Tokai earthquake and

former head of the University of Tokyo's Earthquake Research Institute, says several factors make the Tokai region more suited than others for what he calls "a national experiment".

The region's geology is straightforward, so they can narrow down the likely location of the anticipated earthquake. Historically, strain along the Suruga Trough has been released in frequent large earthquakes, rather than numerous small ones. The evidence is that significant strain has accumulated along the fault since the region's last big earthquake.

Recognising precursors will still be difficult. Mogi says they now believe that precursor patterns may be particular to each section of a fault. He says if they knew what precursor phenomena occurred the last time that section of the fault slipped, in 1854, they would be able to predict the next earthquake. Instead, the six experts are watching for the rapid uplift of the crust on the westward side of the trough that preceded quakes along adjacent sections of the fault in 1944 and 1946. This all makes a successful prediction a long shot.

Aside from the Tokai effort, scientists outside the programme are disturbed that it is so generously funded and has so little to show. Prediction research elsewhere withered as scientists who could not convince review committees of the scientific merit of their research lost their funding. Japan's prediction research activities, primarily overseen by the Ministry of Education, Science and Culture, are subject to no such review.

A sub-committee of one of the ministry's innumerable advisory bodies draws up five-year plans. But, in effect, the budget is divided among researchers and institutions in the same proportions each year. The public, and even public officials, remain largely unaware that Japan's scientists are debating whether prediction is impossible or merely difficult. Most citizens do not realise that Tokai is the only region in which the government even intends to attempt a short-term warning.

High public expectations are coming back to haunt the six-member panel of experts, which must conclude that the gathered data indicate either "a cause for concern" or "no cause for concern". Mogi would like to add a third category between the two that would indicate "some level of concern".

Many scientists agree a "maybe" is not unreasonable, given the state of the art. Public officials, however, are insisting the experts make an "it's coming" or "it's not" decision. Meanwhile, the controversy might be settled if the experts get their call from the technicians monitoring the Tokai data.

Promise of calls to come

Life would seem much easier sometimes if we had a way of proving previously made promises. Prices quoted on the telephone could be verified and hotel reservations double-checked.

US and British telecoms companies are negotiating to purchase a new technology which provides such a service. A New York social worker, JoAnn Zucker, has obtained a patent for "certified" telephone calls, faxes and electronic mail and will grant licences to telephone groups in August.

The new technology is also being considered by the US federal court system for approval as a legal document. The certified messages would have a number of applications, says Alan Zucker, a former economics publisher who is promoting the product.

US hospitals are interested in certified telephone calls to help them document communications. If a patient is not able to make a medical decision, for instance, the next of kin must be contacted. Currently, this means a witness listening to the conversation between the physician and the relative. Certified telephone calls would make the witness unnecessary. They could also be used to verify over-the-telephone orders and requests. Courts could serve a summons via fax.

The sender calls, faxes, or E-mails a telephone company providing the service. If the sender does not want to talk to the recipient, the telephone company records the message, then sends it on, taking note of when the message was sent and received. The message can be programmed to be sent at two-hour intervals, until it has been heard. In the case of E-mail or fax, a photo of the message is preserved. If the sender wishes to talk to the recipient, the message is recorded simultaneously with its delivery.

In 1983, 238m certified letters were handled by the US Postal Service, and the Zuckers believe the new product could replace much of this business.

Victoria Griffith

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Dividend announcement and announcement concerning payment on the profit participation bonds

Wolfgang Schneider at the company's AGM:
Speaker of the Board of Management

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The annual general meeting of Bankgesellschaft Berlin AG held on the 25 July 1994 has resolved to utilise the net profit for the year ending 31 December 1993 of DM 88,554,989 - to pay a dividend of DM 9.00 per share, the nominal value of a share being DM 50.- on share capital of DM 480,672,050.-. The dividend will be paid on presentation of the coupon No. 16 with a tax deduction of 25% as of 25 July 1994. Paying agents are the following banks and their branches:

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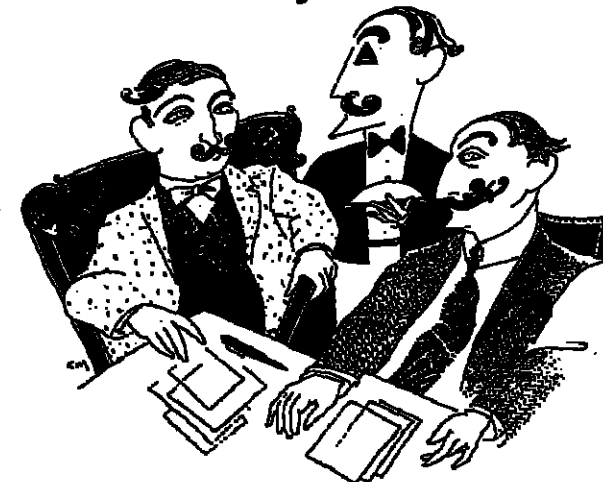
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The purchase of the assets does not include the obligation to re-employ the workers, even if this would mean contributive concessions of particular interest.

The value of both the company units (including designs, logos, patents, machines, equipment and goods) total USD 5,200,000 excluding the property assets in Brescia and Montichiari, for which a separate offer can be made.

The receivership is willing to concede the above mentioned property to the purchasers with a free loan (maximum 6 months) or lease (maximum 1 year) with the aim of facilitating the removal of the assets.

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GREEK EXPORTS S.A.

(E.T.B.A. - FINANCE) DENATIONALISATION

INVITATION FOR EXPRESSIONS OF INTEREST IN PURCHASING THE ASSETS OF THE THREE COMPANIES UNDER LIQUIDATION DESCRIBED BELOW AND BELONGING TO THE PIRAIKI-PATRAIKI GROUP

GREEK EXPORTS S.A., based in Athens at 17 Panepistimiou Street, as special liquidator of the PIRAIKI-PATRAIKI group companies which have been placed under special liquidation (within the framework of article 14 of Law 2000/91 concerning denationalisation) and by decisions No.7815/1992 and 1063/1992 of the Athens and Patras Courts of Appeal respectively, and following instructions from the I.R.O. (which, according to article 22 of Law 2198/1994, is the essential Creditor of all of the PIRAIKI-PATRAIKI group's companies and takes the relative decisions) and in accordance with paragraph 11a of article 48a of Law 1892/1990 as supplemented by article 53 of Law 2224/94.

INVITES

interested parties to express their interest in purchasing the assets of the three PIRAIKI-PATRAIKI group companies under liquidation and described below, by submitting within twenty (20) days from today a written, non-binding expressions of interest.

Interested parties can express their interest in purchasing elements of the assets of one, or two, or all three of the PIRAIKI-PATRAIKI group companies under liquidation as follows:

- PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A. (HOLDING)
- PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A.
- PIRAIKI-PATRAIKI PATRAS SPINNING & WEAVING MILLS S.A.

The expressions of interest to be submitted must not concern and will not be accepted with regard to the claims of the companies under liquidation against the other companies of the PIRAIKI-PATRAIKI group because these claims are not transferable.

Expressions of interest must be submitted separately for the assets of each company and will concern their separate operational and business entities and any elements of their assets which do not serve their business operations for the transfer of which there is no possibility of making separate offers.

SUMMARY INFORMATION ON EACH OF THE COMPANIES UNDER LIQUIDATION

- PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A. is based in Athens and is engaged mainly in trading the products of the group's other companies. The assets of this company are:
 - A modern building complex for storing and distributing the group's products, built in the Variboli area of Attica.
 - Stock in warehouses in the Attica area and in the group's warehouses in Patras.
 - Immovables in the areas of Patras, Attica, Thessaloniki, etc.
 - Claims against customers, furniture, etc.
- The PIRAIKI-PATRAIKI trade mark and other trade marks of the group's products are exempted from the company's assets in accordance with para. 20 of the above-mentioned article 48a, as supplemented by article 53 of Law 2224/94 since they will be transferred to the group's companies which have been using them for many years.
- PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A. maintains a weaving mill with 260 looms in the Municipality of Chalkida (on a plot of land 43 stremmas in area which, however, is not operating at present.)
- PIRAIKI-PATRAIKI PATRAS SPINNING AND WEAVING MILLS S.A. maintains in the Patras area (on a seaside plot of land 208 stremmas in area) a vertical industrial spinning and weaving complex which includes a) two spinning mills, b) two weaving mills, c) a dyeing installation, d) a finishing installation, etc.

OFFERING MEMORANDUM

The Liquidator has drafted an Offering Memorandum for each of the above companies which includes a full description of the enterprises and their activities, as well as all the elements to be transferred which constitute the assets which will go to the purchaser who is pronounced the highest bidder.

It also contains the terms of the sale and all useful information of a general nature for the prospective buyer.

The total assets of the companies for sale shall be listed in detail in the Offering Memorandums with their separate operational and business entities as well as any elements of the assets which do not serve business operations, for the transfer of which separate offers can be submitted as defined in paragraph 11a of article 48a of Law 1892/90 as supplemented by article 53 of Law 2224/94.

Copies of the Offering Memorandum will be available to interested buyers at the offices of the Liquidator as soon as they have been drafted.

Interested buyers will also be able to have access (following a written undertaking of confidentiality) to any other information they may ask for and may visit the company offices.

We note, finally that the announcement of a public auction for the highest bid shall be published within the time limits prescribed by law and in the same newspapers.

For additional information, interested investors may apply to: GREEK EXPORTS S.A., 17 Panepistimiou Street, Athens 105 64, Tel. +30-1-324.3111-5 Fax: +30-1-323.9185 and to the INDUSTRIAL RECONSTRUCTION ORGANISATION (I.R.O.), 234 Syngrou Ave. Athens 176 72, Tel. +30-1-952.5540, Fax: +30-1-956.8788 - 956.3285

BUSINESS AND THE LAW

Restrictions on imports lawful



EUROPEAN COURT

National measures which restrict the sale of foodstuffs, including imported foodstuffs, to those products which state on their labels the types of preservatives used were held to be lawful by the European Court of Justice. But national restrictions on the amount of salt that could be used in bread were unlawful in that they were in breach of the EC treaty provisions on the free movement of goods.

This preliminary ruling was given in the context of criminal proceedings against a Belgian baker who had sold imported bread from the Netherlands and thereby infringed Belgian law twice: first, because the bread contained a higher percentage of salt than was permitted under the national rules; and, secondly, because the labels on the bread indicated neither the exact specification nor the EC number of the preservatives used, but simply stated that the products contained food preservatives.

The Court was first asked to rule on whether the Belgian rules on the level of salt that could be used in bread sold in Belgium were contrary to EC treaty provisions on the free movement of goods. The Court first found that there were no relevant EC rules on the amount of salt that could be used in bread and, therefore, national provisions applied. The Belgian law set the limit at 2 per cent, whereas under Dutch law salt levels of up to 2.5 per cent were permitted. The Court found that, although there were no EC harmonising measures, the Belgian rules did restrict imports of Dutch bread (which was lawfully sold in Holland) and, as such, these rules were contrary to the EC treaty provisions on the free movement of goods. The Court then had to determine whether such restrictions could be justified on public health grounds, as claimed by Belgian authorities.

On this question, the Court referred to its decision in the German beer case, in which the Court had held that any alleged risk to human health could be determined only on the basis of relevant scientific research. The Belgian authorities, however, did not supply such evidence. They

merely said they considered the higher level of salt allowed in the Netherlands "too high". Moreover, Belgium could have chosen other means of protecting consumers than the recourse to an outright ban: appropriate labelling would have been less of an impediment to free movement and could have ensured sufficient protection of public health. Consequently, the Court held the Belgian rules could not be justified under the EC treaty.

With regard to the description of preservatives on labels, the Court found that EC rules provided that member states could require labels to contain a full description of the preservatives used, but that this was not compulsory. In the present case, the Belgian legislation required a full description of preservatives used, whereas the Dutch legislation did not. The Court was asked whether in such circumstances, the Belgian authorities could lawfully stop bread, which was correctly labelled according to Dutch law, from being imported into Belgium.

The Court held first that the Belgian labelling requirements were contrary to the EC treaty provisions on the free movement of goods as they made it more difficult to import the same goods from other member states which did not have the same labelling requirements. The ECJ then went on to say that, since the relevant EC labelling rules did not provide for complete harmonisation, member states were still allowed to invoke the EC treaty provisions or the case law of the Court to seek to justify the measure in question. The Court found that for consumers to be properly protected, they had to be in a position to know from a label what a given product contained. Therefore, such labelling requirements as provided for in the Belgian rules served the purpose of consumer protection, which had already been accepted by the Court to be a mandatory requirement justifying restrictions on the free movement of goods. The Court also found the Belgian rules were proportionate in that they interfered much less with the free movement of goods than other measures.

Case C-17/93 *J J Van der Veldt*
ECJ SCJ July 14 1994

BRICK COURT CHAMBERS,
BRUSSELS

Difficulties encountered in large, multi-party medical and pharmaceutical litigation highlight the problems inherent in the present system in the UK of providing legal aid to allow such cases to come to court.

The collapse earlier this year of the largest publicly funded personal injury claim in the country illustrates the disadvantages of the current system. The action, brought by 5,000 claimants against Roche and Wyeth, the manufacturers of the benzodiazepine (tranquilliser) drugs Valium and Ativan, collapsed after six years, at an estimated cost to taxpayers of £35m. The action fell apart when the Legal Aid Board of England and Wales withdrew funding, saying the claims did not satisfy the requirements for legal aid.

Legal aid, according to the board, is a system of government funding for those who cannot afford to pay for legal advice, assistance and representation. Civil legal aid is available to those able to demonstrate they have "reasonable grounds" for bringing a claim and who satisfy the stringent financial eligibility criteria. Middle-income people, therefore, are effectively denied access to justice, however good their claim.

Even those claimants who do qualify for legal aid frequently receive no compensation, because of the low success rate in court. Lawyers are too often the only beneficiaries of medical and pharmaceutical litigation.

Is legal aid, then, merely a state-funded and self-serving industry which suits lawyers as justice-mongers and purveyors of compensation?

In the benzodiazepine case, the main beneficiaries were certainly the lawyers and experts: not a penny has been obtained for any claimant. The irrecoverable expense to the manufacturers was also passed on to the public.

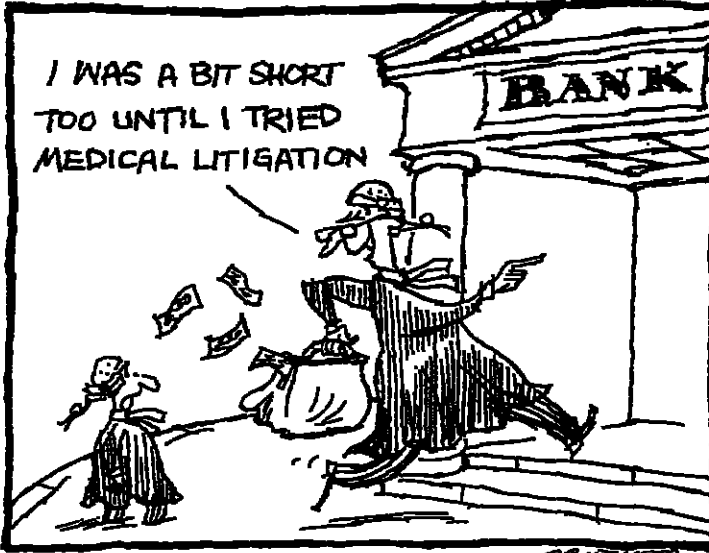
Other multi-party actions involve infant drinks, smoking, diagnostic agents, surgical devices, various drugs and the power industry. These are invariably legally aided, widely advertised and are conducted with much media hype.

The Legal Aid Board recently published a report on multi-party actions, following the benzodiazepine case. It makes disturbing reading, and raises questions over both the cost and the quality of such cases.

The board admits that it has "doubts over the extent to which legal aid lawyers can have regard to the costs of litigation". And it concedes that "there is no incentive on the solicitor to act as a responsible filter for dubious cases, as there is no effective sanction available for

A case for treatment

Anthony Barton on the use of legal aid for multi-party medical litigation



shoddy work or had cases being taken".

The report implies that fraud by solicitors on the legal aid fund is "widespread", because it is not possible for the board to exercise detailed control over all publicly funded litigation. It has to rely upon the assisted persons' legal advisers.

The board recognises that many funded actions are "weak" or "hopeless". It describes a "handwagon effect" with "legal advisers getting carried away by everything surrounding the action and losing sight of the viability of individual cases". The board acknowledges that applicants may often feel that they have nothing to lose by giving it a go - the lawyers, however, are paid whatever the outcome.

Contrary to popular belief, legally aided claimants against institutional or corporate defendants enjoy a strong position. First, they are not liable for the defendant's costs, even if they are unsuccessful. The defendant must pay his own costs, even if successful. Thus the plaintiff is in a no-lose position and the defendant is in a no-win position.

The courts have expressed concern that this rule could give rise to abuse and injustice. Lord Denning referred to the "inequality of bargaining power" in favour of legally

aided parties. Lord Donaldson observed that "legal aid helps those who lose cases, not those who win them". Most recently, the Court of Appeal has remarked: "It is no answer that there are public authorities or insurance associations that are footing the bill. The National Health Service has better things to spend its money on than lawyers' fees."

Second, the board relies on the advice of plaintiff lawyers in deciding whether or not to fund a claim. Such advice by definition cannot be independent, since the plaintiff's advisers have a financial interest in the advancement of the claim.

Medical and pharmaceutical claims are complex, expensive and have a low success rate. The legal and scientific issues are not readily separable. The legal process imposes a separation of medical and legal professional roles. Further, the legal aid area committees consist only of lawyers, and do not contain scientists and clinicians. It is difficult to see, therefore, how these committees are able to evaluate complex scientific issues. The board, however, asserts that these committees are "well positioned to form a clear and objective opinion of the prospects of success". Despite using phrases such as

"shoddy work", "weak cases", "dubious cases", "hopeless cases" and "lawyers getting carried away", the board insists: "It is wrong to assume that the opinions based on behalf of the applicants would give a misleading or over-optimistic assessment of a case."

The facts, however, speak for themselves. According to an independent survey, the success rate of legally aided pharmaceutical actions is zero.

In the benzodiazepine action, there were 3,000 Ativan claims. According to the plaintiffs' advisers, four barristers had assessed 1,200 cases as "strong in law" and had "very good high prospects of success". The Court of Appeal, by contrast, referred to the "considerable problems on causation... distinguishing between the effects of the drug and the underlying condition for which it was prescribed". The court observed that "these considerations may present real problems in many, if not all, of the cases". Moreover, if only 1,200 cases were "strong", why were proceedings started in 3,000?

Decisions involving the expenditure of millions of pounds of taxpayers' money ought to be based on independent, objective and expert advice. There must be independent claims assessment if public confidence in legal aid is to be restored. The present system is unacceptable to plaintiffs, defendants and the taxpayer. What is required is a judicial process which is investigative, independent, expert and integrated so as to straddle law and medicine.

The board acknowledges that courts may not be appropriate for these cases, and proposes a tribunal consisting of a legal chairman and appropriate medical experts. The idea is to change the process, not the basis, of compensation.

A contingency "no win, no fee" system, for paying solicitors according to results in certain cases, is due to come into effect later this year. It will widen access to justice. Far from leading to a US-style litigation "free for all", the risk of legal costs (which does not generally apply in America) will impose a commercial discipline, so that claims are only advanced when properly investigated and assessed. The pursuit of hopeless claims will remain the privilege of the rich, the foolish and the legally aided.

Change seems inevitable. Whatever solution is adopted, there is one certainty: any proposal to remove from lawyers the indiscriminate largesse of the state, and impose any effective form of accountability, will be met with howls of protest.

The author is a medically qualified solicitor who specialises in medical and pharmaceutical litigation

LEGAL BRIEFS



Firms spend less on high-tech than expected

UK law firms which, on average, last year planned to invest £72,000 on new information technology systems, spent only £48,000, according to a survey by accountants Robson Rhodes.

There has been a modest increase in the number of firms providing a workstation for each partner (up from 11 per cent to 14.7 per cent) and for each fee earner (up from 7 per cent to 10 per cent).

Cost cutter

London law firm McKenna & Co has launched its specialist solicitor advocacy services for planning inquiries and disputes. Under this service, a solicitor, rather than a barrister, appears as advocate. The firm claims this results in savings of 30 per cent of the cost of instructing both a solicitor and barrister. The move, according to the firm, is in response to client demand.

Bon Chance

Mr David Goldberg, former deputy general counsel of the World Bank, has joined Clifford Chance, the UK law firm, as a consultant. He will advise on a range of international work, particularly on infrastructure projects such as transport, energy and telecommunications. Mr Goldberg, who spent more than 20 years at the World Bank, will remain Washington-based.

SRT moves

Sinclair Roche & Temperley, the marine and business law firm, has appointed Mr Stuart Manning and Mr Campbell Steadman as partners at its London offices. Mr Jonathan Rawson becomes a partner at SRT Hong Kong and Mr Neale Gresson a partner of SRT Singapore.

Money happy returns.

FT/Bank of England 300th Anniversary Survey

On Wednesday, July 27 the Financial Times will publish a special survey to mark the 300th birthday of the Bank of England.

It examines the history of the bank, its role in determining monetary policy and its responsibility as a regulator.

There will also be an assessment of changes at the Bank under the new regime of Eddie George and Rupert Pennant-Rea and articles on similar institutions in other countries.

So if you want a reliable source of information on the Old Lady of Threadneedle Street, you can bank on the FT.

Financial Times. Europe's Business Newspaper.

Fresh partners for new strategic consultancy

Some small but significant ripples in the world of London-based management consultancies.

The Strategic Partnership, in operation only since the beginning of this year, under Peter Smith, 56, as its chief executive, has appointed two big guns to its advisory board.

They are Thomas Frost, 61, former group chief executive of National Westminster bank, now chairman of The London Clearing House, and John Stopford, 54, who holds the chair of international business at the London Business School.

Besides a love of orchids, Frost carries with him a wealth of banking experience, having first joined Westminster bank (as it then was) in 1950. Among his many business activities, Frost was also a member of the advisory board of the British-American chamber of commerce, between 1957-1993.

A trained engineer, Stopford first started on an academic

career in 1968, with posts at the Manchester and then Harvard business schools.

He was a non-executive director of Shell (UK) between 1973-77, but before that had gained early hands-on business experience by managing a Booker-McConnell subsidiary in Guyana. He has also worked for the United Nations, and still works as a government adviser in developing countries such as Mongolia and Thailand.

Before establishing his new consultancy, Smith was a communications consultant with Burson-Marsteller's City and Corporate Communications branch.

Meanwhile, Paul Thornton has left PA Consulting group and Chris French departed Froudfoot, to found a new management consultancy, the French Thornton Partnership. They intend focusing on companies attempting to make greater use of information technology.

Insurance Moves

Cam Bradford has been appointed executive director of The World Marine & General Insurance.

Eddie Dove, below, formerly general manager, has been appointed md of UIA (Insurance).

director of LIBERTY LIFE.

Hugh Morland has been appointed chief executive of BOWRING MARSH & MCLENNAN; he is succeeded as chief executive of Bowring Financial and Professional Insurance Brokers by Mark Hardinge.

Matt Coffey, formerly administration director of Aetna UK, has been appointed general manager, and Mark Davies, formerly a consultant, technical director, of J ROTHCHILD INTERNATIONAL ASSURANCE GROUP.

Alan Jackson has been appointed chairman of WREN HOLDINGS; he replaces Nicholas Haydon, who will become non-executive chairman of Wren Underwriting Agencies from the end of the year.

Jerry Morgan has been appointed sales and marketing director of WINDSOR LIFE; he moves from the parent New York Life and replaces Jerry Roberts, returning to the US to run the San Diego office.

Paul Haines has been appointed investment director of EDGEMORE NOBLE LOWNDERS.

David Young, a senior assistant director with Morgan Grenfell, has been appointed finance director of BRADSTOCK GROUP.

Sandy Mackintosh, formerly head of sales and marketing for London Life, has been appointed sales and marketing

director of LIBERTY LIFE.

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New sales force head at National Westminster

David Poulton, 48, has been appointed head of regulated sales for National Westminster bank's UK branch business, with responsibility for directing the bank's 2,700 strong sales force, engaged in selling life insurance, mortgages, pensions and other investments.

Poulton started his working life at British European Airways in 1963, staying with the airline five years before joining Rothmans UK, where he was initially a salesman, rising to become director of the company's sales force. All told he spent 20 years at Rothmans.

Then in 1988 he joined Lloyds Abbey Life Assurance, moving in 1989 to join Black Horse Financial Services as sales director.

The business of selling financial services has come under close scrutiny in the UK

recently. NatWest says it has decided to restructure its sales operations in the light of regulatory and competitive changes, in order to ensure proper emphasis on compliance and training is carried out. Poulton will have the task of monitoring those sensitive changes.

NatWest Investment Management has appointed Colin Harte, 37, as a director in the active fixed income area, with responsibility for managing fixed income portfolios for pension funds.

He joins from Worldinvest, where he was director and head of fixed income, responsible for managing \$3.5bn of assets, primarily for US pension funds. He has also worked for Citibank, Hill Samuel, Morgan Stanley and Guardian Royal Exchange.

Non-executive appointments

Yve Newbold, company secretary of Hanson, and David Went, chief executive of Coutts & Co Group, at COUTTS & Co.

Chris Appleton, a partner with Smith and Williamson; Brian Eyn, deputy chairman of the UKAEA, as chairman; Rex Galsford, director of Amerasia Hess; Olive Pickford, chairman of Jones Lang Wootton; and Timothy Walker, head of atomic energy division at the DTI, at UKAEA Government Division, responsible for decommissioning nuclear facilities and managing radioactive wastes.

Nigel Graham Maw, former senior partner of Rowe & May, at STORM GROUP.

Iain Bryce, former senior partner of Ernst & Young's Hull office, at PROSPECT INDUSTRIES.

Anthony Forbes, formerly joint senior partner at Cazenove, at The MERCHANTS TRUST.

Ben du Brow at DEVELOPMENT SECURITIES.

John White, retired chief executive of BBA Group, at PARTCO; Guy Davison has resigned.

Chris Hampson, a retired ICI director, at YORKSHIRE ELECTRICITY; David Clark is retiring.

Jack Mawdsley, former chief executive of Tarmac's quarry products division, at VIBRO-PLANT.

Alan Tritton as chairman at PLANTATION & GENERAL INVESTMENTS.

Michael Haines, retired partner with KPMG Peat Marwick, at ANDREWS SYKES.

Peter Aitchison, chairman of Cotesworth Holdings, and Lord Soloman of Croft, former director of Samuel Montagu, at J.P. GLEESON.

Robert Shepherd, chairman of Intercare and retired Penland director, at PENTLAND GROUP.

Roy Copps, a director of Thompson Investments (London), at USBORNE; Peter Harrison has retired.

Eddie Tie Lim Sung of John Holdings Berhad at WILLIAM JACKS.

Ernest Feuton, director general of the Association of Investment Trust Companies, at COTESWORTH & Co.

Anthony Bushell at GERMAN SMALLER COMPANIES INVESTMENT TRUST.

Simon May at WHATMAN.

Tony Slipper, former member of the executive committee of the UK Food & Drink Federation, at UNIMERCHANTS.

Paul Byrne has retired from LLOYDS CHEMISTS.

Roger Holland, formerly with McKinsey & Co, and Brian Watkins, formerly finance director at John Mowlem, at JOHNSTON GROUP.

Michael Garner at SOUND-TRACS.

Bob Huddie has resigned from PROTEAN.

'White Nights' in St Petersburg

The city is witnessing both the death and renaissance of classicism, reports Alastair Macaulay

St Petersburg, built as Russia's window on the west, is history city. It is not as Moscow, or as Russia, but as a whole essence - layout, architecture, statuary, ornamentation - is classical. Every foreign visitor is bound to notice this, and every Petersburg is steeped in it. But what is it like to live a modern life in a classical city?

The immense irony of living there struck me on my first visit, ten years ago, for the White Nights festival. Along the canals and the embankments of the River Neva, in front of the palaces whose colours become strangely luminous in the midnight light of late June, numbers of old men stood, for long hours, fishing to supplement their limited groceries.

The contrast of old and new appeared so great, in the Leningrad of 1984, that I wondered why the Russian communists had not adopted a Marxist attitude to history and destroyed the monuments that so reproached their daily lives. And yet the government was still spending fortunes on gradually repairing the damage done to the city by the German siege in the second world war, and old women queued for hours - with none of the quick-admission privileges granted to foreign tourists - to enter the city's most richly adorned interiors.

On revisiting the city for the White Nights of 1994, now that it has regained its original name of St Petersburg, I found a new set of ironies. Cindy Crawford's photograph hangs large in Nevsky Prospekt (the city's main street); the city's tram bears Rothman's adverts (in English); the great Palace Square on one side of the Hermitage was occupied, for one long weekend, by an Adidas football promotional display. Russians no longer have to queue for hours, either to enter the Hermitage or to buy groceries. Whether they can afford to buy groceries any more is another matter. There are far fewer fishermen, but many more beggars. And the city is dirtier, dustier.

Everyone today seems happy that the city has been re-named St Petersburg. Nonetheless, though Lenin's name is no longer ubiquitous, his statues still stand in many places around the city. He too is part of history, and accepted as such. The guides refer to the more grim aspects of the communist regime in the same tones that they discuss the darker episodes of life under the Tsars.

The truth is that life in so classical a city was always ironic: as reading Dostoevsky should remind one. From my hotel to the city centre, I would walk each day routes that had been taken by the leading characters of *The Idiot* during their most distraught episodes. We tend to think of classicism as something measured, formal, Apollonian; and this side of Petersburg is obvious enough. But classicism, in Petersburg as in Ancient Greece, is large enough also to contain wildness, morbidity, despair.



Canal in St Petersburg: the Kirov ballet may be in decline but opera and drama are flourishing in Russia's 'window on the west'

Lydia van der Meer

The Kirov (or Maryinsky) Ballet, however, is no longer a classical company - if we are to use the word 'classical' in any serious sense. There comes a point, alas, when the true classicism of some ballet companies declines into hollow academicism. This happened, decades ago, in Paris to the Paris Opera Ballet; and it is now happening, I believe, in New York to New York City Ballet. In terms of academic distinction, these three companies are probably the foremost in the world; and they are fed by first-rate schools (though it is possible that Kirov Ballet's decline in style has been occurring at school level since the 1920s). Most Kirov dancers have numerous stylistic niceties in their dancing that are not to be found in, say, the Bolshoi of Moscow; and possibly the dancers find inspiration for some of these niceties from living amid the architecture of St Petersburg. And yet the firm core of Kirov style

is being gradually drained away (whereas the cruder Moscow style still retains a certain classically vital simplicity).

Just take two of the key features of classical style in ballet: musicality, and stance. In terms of musical timing and phrasing, the Kirov has been musically decadent for decades, especially in dictating convenient accelerations of tempo and then ignoring the beat and phrase that they themselves have dictated. The decline of stance is more recent. When first I saw the company in 1982, I would have paid just to see the dancers stand, walk, and take curtsia cuts; they made these simple matters radiate with classical purity. By 1992, the dancers were standing like gymnasts, with an anti-classical arch of the pelvis and lower spine. As a result, an exaggerated dichotomy of upper and lower body has developed, and an element of strain has distorted all Kirov deportment.

The death of classicism - or its chilling translation into the mere facade of academicism - is a depressing spectacle. It has happened in other arts and other cities, but to see it happen to St Petersburg's great ballet company is one irony I could do without when visiting that city today. Some observers attribute the Kirov Ballet's decline to financial and political causes, and no doubt the company's economic situation is serious. It is obliged to tour extensively to support itself. But the same is true for St Petersburg's Maly Drama Theatre, which has also been touring extensively for years now, and which, on its seven-week tour of Britain this year, showed theatrical standards of the highest calibre.

And during the very period that the ballet of the Kirov/Maryinsky Opera House has declined, the same theatre's opera has been enjoying an extraordinary

renaissance. Truly extraordinary: for the city has not really been a serious home for opera since the time of the Tsars. In 1984, the Kirov Opera was not merely backwards in terms of stage production, it was also a mess in musical terms, with only Sergei Leifuruk an exception, casting his baritone pearls among the surrounding swine.

Today, the company is a nonpareil model of ensemble, and it possesses solo voices and instrumentalists of world class. Several of these singers - Galina Gorchakova, Olga Borodina, Gergiev Grigorian, Lefteruk, Vladimir Chernov, and others - are already internationally acclaimed. Yet they keep returning to St Petersburg, and principally because of one man - the artistic director of the Kirov Opera, Valery Gergiev. Ten years ago, the White Nights festival was mainly of interest to balletomanes; the best musical evenings occurred

not at the Kirov at all, but at the city's second opera house, the Maly. Now, however, the festival is, musically, world class. I never had the time this year to go to the Maly, because Gergiev & Co. were producing so rich a supply of great performances at the Maryinsky (or at the Philharmonic Hall).

St Petersburg was conceived not just as a classical city but also as Russia's window on the west. Ever since Peter the Great, the city's founder, the debate between Europhiles and Europhobes has been a central issue in Russian culture. Before Diaghilev brought Russian ballet and opera to the west, he had spent years audaciously bringing western art to Russia; he also worked hard to re-introduce Russia to overlooked aspects of Russian art. The centre of his activities in those days was St Petersburg, which was then the country's capital. When Moscow became the capital city again under the communist regime, the xenophobic strain of Russian culture became uppermost again.

Today, however, the beauty of Gergiev's work at the Maryinsky is that he is working along Diaghilev lines. As the White Nights festival showed, the Maryinsky today honours Russian music - not just Glinka, Rimsky-Korsakov, and Tchaikovsky, but also Prokofiev (who returned from the west to communist Russia), Shostakovich (who suffered under the communist regime), and Stravinsky (who chose to remain in western exile from his native land). It also gave performances of western repertory, from Haydn. And the performances I heard Gergiev give of Berlioz's *Damnation of Faust* and Verdi's *Force of Destiny* were simply the best I have ever heard. Suddenly the window on the west is again open wide.

The history of Russian culture in this century is extremely curious. Russian art was a galvanising force in artistic modernism throughout the world; and the Russian revolution was as key an event for the culture of the observing world as the French Revolution has been for the Romantic movement. Yet when the doctrine of Leninism-Marxism descended upon Russia, its effects upon artistic life was stultifying, even crucifying.

Today the doctrines have lifted with remarkable speed; but it will take far longer for their effects to disappear. St Petersburg is the most classical city in the world, but classicism is a virtually extinct strain in world culture. Is it to become a museum city? or something more? One watches the fall of the Kirov Ballet with dismay, the rise of the Maly Drama Theatre and the Kirov Opera with exhilaration. For a westerner, the most exciting fact is simply that one can watch Russia, which did so much to shape our century, is gradually re-entering it; and St Petersburg - History City - is open again to the west.

Promenade concert/Richard Fairman

Bach's St Matthew Passion

It was a good idea to include snippets of Proms' history in the programmes for the 100th season this year. Without consulting the "Seasons past" page on Sunday, who would have guessed that it took until 1988 for a piece of music as central as Bach's St Matthew Passion to receive its first performance in the Promenade Concerts?

In the early years Henry Wood was a keen advocate of Bach's music, but that only led to excerpts from the score. One of the tenor arias was sung in 1907 and the celebrated alto aria "Erbarme dich" came round once a decade, but a complete St Matthew Passion was evidently out of the question. It is a sign of how public appreciation of music has been raised that the St Matthew Passion, sung in German, has become commonplace in the Britain of the 1990s.

The audience on Sunday may not have been as large as the Proms hoped, but a two-thirds-full Royal Albert Hall at 11am on one of the hottest days of the year is not a bad turnout. The audience to promote the music was also balanced in the accounts' favour, as this was very far from being the grand Victorian choral page-

ant that would automatically have been offered 100 years ago.

The American conductor Joshua Rifkin was the first to argue that Bach's choral music was originally intended to have one solo singer to a part, not a full choir. Although the subject is still open to dispute, we have had enough experience of small-scale Bach performances over the last decade to come to a conclusion on the essential difference: the great choral works become less public celebrations, more a private avowal of faith.

Having a minimal St Matthew Passion in a venue as vast as the Royal Albert Hall might seem a bizarre experiment, but it seemed to work well enough on Sunday. One of the pleasures of hearing eight solo singers in the choral movements is the

marvellous clarity and blend that experienced early music singers can attain.

Rifkin led a flexible and unexaggerated performance, less fussy with rhythm than Leonhardt, less concentrated than Gardiner. The balance was also well-judged, despite the singers being outnumbered by the combined forces of The Bach Ensemble (from the US) and St James's Baroque Players. John Rives showed sterling stamina in tackling both the Evangelist's music and some of the solo tenor arias, though he was strained at the top; Stephen Varcoe was a light, eloquent Christus. Among the other soloists, I enjoyed Nancy Argenta's soprano and Mark Padmore's assertive tenor. Steven Richards's pure counter-tenor projected well, but he pecked at Bach's long, flowing phrases.

For its last concert on Sunday, the Almeida Festival chose to give us something quite open-ended, not conclusive at all: a sampling of the music of Thomas Adès, with himself as pianist, four other performers and other music of his own choice.

Young Adès is a recent Cambridge product - a double-starred First in music, in fact (we shall not mention that again); much fitted in Cambridge, and therefore more widely. A general conviction that there is a rare talent here, though still finding its feet, is supported by his extreme finesse at the keyboard.

Like several other critics I was greatly taken by his Park Lane Group recital last year, which included his *Still Sorrowing*, a most delicately calculated and imaginative piece for "prepared" piano, with ambitions well beyond a clever exercise. Sunday's Almeida concert, however, left us tantalised.

Of the non-Adès music, John Woolrich's *Light and Rock* songs on Yugoslav folk poems were strident and effective, with roots alike in Britten and in Berio's *Folk Songs*. Two Conlon Nanarrow canons, delivered by Adès with uncanny precision,

Almeida Festival

Thomas Adès: a special talent

were as deeply unsettling as Nanarrow's studies always are. (Until you've heard some Nanarrow, you don't know how radically your ears can be twisted.) The reduced suite from Stravinsky's *Soldier's Tale*, with a terrific violinist in Anthony Marwood, fairly crackled. Only Per Norgaard's *Lin* stood somewhat apart in this programme of lean music; its sober, neo-romantic expansiveness needed different ears from the rest.

But Adès himself? Well, he exhibited three quite disparate works. *Pine Eliot*

Landscapes was one, for very high soprano - soprano in *altissimo*: the Canadian Val-dine Anderson floated and sculpted her Straussian lines exquisitely, over intricate, multi-fingered whispers from the Adès piano. She reappeared to sing "Love Me", a delectable 1930s pastiche which will wind through an Adès opera due next year at the Almeida. Finally we had *Catch*, a one-off *tour de force* in which the official scenario - a clarinet teased, rejected, and then welcomed and absorbed by the other instruments - was realised in musical terms that went well beyond the simple joke.

All these pieces were musical mouse-traps: intricate mechanisms, eccentric but very carefully determined, which in due course spring the traps that were their point. *Spy* is a series of exercises, and original; the fine-sprint detail answers perfectly to his guiding intentions. We shall have to wait for more and larger Adès music, nonetheless, to discover how much more he has to say. So far, his is evidently a special talent.

David Murray

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight: piano recital by Lori Kaufman, Mark Frisay and Jung Hwa Lee. Tomorrow, Josef Suk directs Suk Chamber Orchestra in a Czech programme. Thurs: Yuri Bashmet viola recital. Fri: Libby Yu piano recital. Sat: Alexander Vekoslavsky conducts Netherlands Youth Orchestra in works by Dvorak, Rakhmaninov and Tchaikovsky, with piano soloist Vili Soerjadi. Sun: Georgian Chamber Orchestra plays Mozart, Shostakovich and Mendelssohn (24-hour information service 020-675 4411, ticket reservations 020-671 8345)

ATHENS

ATHENS FESTIVAL Greek National Opera Ballet presents Poul van Denzigt's production of Prokofiev's *Romeo and Juliet* tomorrow and Thurs at the Odéon of Herodes Atticus. Hildegarde Beltrame, Dmitri Sgorous and Mariastela Rostropovich soloists in a Sakharov memorial concert on Sat. The Noh-Kyogen

Theatre of Japan is guest ensemble next Mon and Tues, followed by the Peter Hall Company's production of *Hamlet* on Aug 5 and 6. Visitors later in the festival include Yevgeny Kissin, the Vienna Philharmonic and Saito Kinen Orchestras, and the Lyon and Kirov Ballets (01-322 1459/01-322 3111)

EPIDAUROS FESTIVAL

The annual festival of ancient drama in the 1,400-seat amphitheatre at Epidaurus hosts performances of Greek classical drama on most weekends throughout the summer. Peter Stein presents his marathon Moscow version of Aeschylus' *The Oresteia* on Sat and Sun. Tickets are available daily at the Athens Festival box office or the theatre of Epidaurus on Fri, Sat and Sun (0753-22008)

CHICAGO

RAVINIA FESTIVAL Tonight: Tony Bennett. Tomorrow: Peter Paul and Mary. Thurs: Ralf Gothofni piano recital. Fri: Hugh Wolff conducts Chicago Symphony Orchestra in works by Fauré, Berlioz, Gounod and others, with soprano Kathleen Battle. Sat: Itzhak Perlman plays Khachaturian's Violin Concerto. Sun: John Williams conducts Chicago Symphony Orchestra in film scores. Next Mon: David Owen Norris piano recital. Aug 4: Marilyn Horne. Aug 5: Hermann Prey. Aug 11: Midori. The festival runs till Aug 28. Ravinia is situated in Highland Park, within easy reach of downtown Chicago by train, bus or car. To order tickets by phone, call 312-ravinia. Outside the metropolitan Chicago area, call

1-800-433-8819. Tickets can be ordered by fax 24 hours a day: 708-433 4582.

THEATRE

● A Little Night Music: Michael Maggio directs this Sondheim classic, hailed as the perfect romantic musical comedy. Till Aug 7 (Goodman 312-443 3800)

● Jeffrey: as part of their Pride Performance series of gay and lesbian theatre, Bailiwick Repertory presents the Chicago premiere of Paul Rudnick's hit comedy about love and dating in the age of AIDS (Bailiwick 312-327 5222)

● Talking Heads: Steppenwolf skits and famed character actor John Mahoney directs the American premiere of Alan Bennett's tragicomic series of monologues (Steppenwolf 312-335 1850)

COPENHAGEN

Thvolf Tonight: Aldo Ceccato conducts Thvolf Symphony Orchestra in works by Tchaikovsky and Musorgsky/Pavel, with piano soloist Oleo Melsenberg. Tomorrow: Noel Leo plays piano music by Fauré, Dutilleul and Debussy. Thurs: Papa Buss Vilgud Jazz Band. Fri: French song recital. Sat: Thomas Ollia conducts Thvolf Symphony Orchestra in works by Lindbergh, Paganini and Shostakovich, with violin soloist Sergey Adzjan. The summer concert season runs till Sep 18 (3315 1012)

LONDON

THEATRE ● The Seagull: Judi Dench heads a splendid cast in Pam Gems's new version of Chekhov's play (National 071-928 2252)

● King Lear: Robert Stephens gives a towering performance in the title role of Adrian Noble's RSC production, successfully transferred from Stratford. In repertory with *The Merchant of Venice* with David Calder as Shylock, and *The Tempest* with Alison McCowen as Prospero (Barbican 071-836 8891)

● The Miracle Worker: Jenny Seagrove is the beautiful heroine in William Gibson's well-tailored tear-jerker about a teacher's relationship with a deaf, dumb and blind girl (Comedy 071-369 1731)

● Lady Windermere's Fan: Philip Prowse directs and designs Oscar Wilde's 1892 comedy. Just opened (Albany 071-369 1733)

● La Cide: Jonathan Kent directs a new production of Corneille's masterpiece, a story of romantic love in a world where duty is held above passion. Now previewing, opens on Thurs in the Cottesloe (National 071-928 2252)

● The Country Wife: Max Stafford-Clark directs this RSC production of William Wycherley's Restoration comedy, in repertory with T.S. Eliot's *Murder in the Cathedral* and Ibsen's *Ghosts* (The Pit 071-836 8891)

● She Loves Me: a delightful West End transfer of Scott Ellis' Broadway revival of the charming 1963 Masteroff, Book and Harman musical (Savoy 071-836 8888)

DANCE

Covenant Garden The Royal Ballet returns tomorrow for two weeks of performances, following its recent North American tour. This week is devoted to Anthony Dowell's staging of Don Quixote (071-240 1066) Coliseum English National Ballet presents a mixed bill tonight and

Ronald Hynd's new production of *Sleeping Beauty* tomorrow till Sat (071-836 3161)

MUSIC

Royal Albert Hall This week's Proms feature the BBC Scottish Symphony Orchestra under Jerzy Maksymiuk tonight and McIntyre Brabins tomorrow, the CBSO under Simon Rattle on Thurs, the BBCSO under Arturo Tamayo on Fri, the Boumoum SO under Andrew Litton on Sat, a concert performance of Ethel Smyth's opera *The Wreckers* on Sun, and the RLPO and Chorus under Libor Pesek next Mon (071-598 9212)

Royal Festival Hall Ralph Stanley and the Cliff Mountain Boys present tonight's programme of American song and dance. Brazilian singer-songwriter Milton Nascimento and band appear in concert tomorrow (071-928 8800)

Barbican Ann Mackay is soprano soloist in a Johann Strauss evening on Fri (071-836 8891)

STOCKHOLM

Drottningholm Tomorrow: Reinhard Goebel conducts Benny Fredriksson's production of *Heavenly Handel*, a fantasia on Handel's opera world, starring Anne Sofie von Otter and Barbara Bonney (repeated Aug 5, 7). Fri: Nicholas McGegan conducts orchestral concert (08-660 8225)

STRATFORD

The Royal Shakespeare Company unveils three new productions over the coming fortnight. Adrian Noble directs *A Midsummer Night's Dream* in the Royal Shakespeare Theatre

(previews from Thurs, Press night next Wed). This will run in repertory with *Twelfth Night* and *Henry V* until early October. In the Swan Theatre, Max Stafford-Clark directs *The Wives' Excuse*, a comedy of manners by 17th century dramatist Thomas Southerne (previews from tomorrow, Press night next Tues, continuing in repertory with *Peer Gynt* and *Cordelia*). In The Other Place, Katie Mitchell directs *Henry VI*, with Jonathan Firth in the title role. Previews start tonight, opens Aug 10 (tel 0789-295623 fax 0789-261974)

WASHINGTON

● John Denver can be heard in concert tonight and tomorrow at Wolf Trap. The National Symphony Orchestra gives popular concerts on Thurs, Fri and Sat, with soloists including the Karanazov Brothers and violinist Gil Shaham. Sun and Mon: Bonnie Raitt. Next Tues and Wed: Crosby, Stills and Nash (703-255 1880)

● David Zirman conducts the Baltimore Symphony Orchestra in all-Mozart programmes at Oregon Ridge on Thurs and Sat, with soloists Christian Zacharias and Joshua Bell. David Lockington conducts a Gershwin programme on Sun (410-783 8000)

● A Small Family Business, a farce by Alan Ayckbourn, runs till Aug 7 at Olney Theatre (301-924 3400)

● The main summer show at the Kennedy Center is Miss Saigon, the musical love story set during the Vietnam war. Daily except Mon (202-467 4800)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions guide.

European Cable and Satellite Business TV

(Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY

NBC/Super Channel: FT Reports 1230.

TUESDAY

EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY

NBC/Super Channel: FT Reports 1230

FRIDAY

NBC/Super Channel: FT Reports 1230

SUNDAY

NBC/Super Channel: FT Reports 2230

Sky News: FT Reports 0430, 1730;

Is something wrong with the City of London? After successful modernisation at the end of the 1980s, which put it firmly among the world's three leading financial centres, along with New York and Tokyo, London has faced several serious problems in the past few years. Thanks to its strengths, the City does not seem to have been undermined by these difficulties. But various dangers, mostly linked to the role of the UK in Europe, lie ahead.

For a French financial journalist, being assigned to London in 1990, there was no doubt that there was a remarkable success story, a truly international financial centre with a significant share of the market in cross-border dealings and a record number of foreign banks. London was the obvious model for continental centres such as Paris, wishing to modernise themselves. Technical difficulties, lack of professionalism or even dishonest practices were not thought to be a problem in the financial capital of Europe.

And yet, in the past four years, important City institutions have been hit by setbacks. Lloyd's, the insurance market, has seen huge losses; the Stock Exchange's Taurus settlement project collapsed; the pound was forced out of Europe's exchange rate mechanism; the Bank of England was slow to close down BCCI. Financial scandals involving Robert Maxwell or Polly Peck tarnished some banks, auditors and regulators. In addition, the City had to contend with an IRA security problem.

After such blows, its reputation is no longer at its highest. London has shown it is as accident prone as everybody else and has suffered to some extent from its own success. Financial scandals happen everywhere but are all the more shocking in a market supposed to be an example for the rest of the world. At its darkest hour, in 1992, it looked as if the future was bleak indeed. But two years later, the role of London as a leading financial centre has not been substantially weakened.

A striking factor for the foreign observer is the way the City reacted. Lloyd's is undergoing radical reform, as in a less conspicuous manner is the Bank of England. The Maxwell scandal led to an overhaul of the pensions system and the Square Mile is now ring-fenced against terrorism. According to Robert Amzallag, managing director of Banque Nationale de Paris in London and chair-

Bulls, bombs, Brussels

Patrick de Jacquilot gives an outsider's view on the City of London

man of the Foreign Bank Association in Britain, those who lead the City "are watching very closely for any emerging problem. They have no long-term plan, but they react quickly when necessary".

How does the City view itself? Its assets, of course, are still here. The English language makes London the natural home in Europe for American and Japanese institutions. "London has the labour supply, markets already established with excellent liquidity, and supporting services like law and accounting," says Professor Richard Brealey, who is

The City might still see its role endangered by a marginalisation of the UK in the EU

leading the City Research Project, a study of London as a financial centre by the London Business School for the Corporation of London. Foreign banks share this view. According to Peter Letley, deputy chairman of HSBC Investment Banking Group which recently moved to London, "the level of expertise available here is wider and greater than in any other European market".

At the end of the day, says Rupert Pennant-Rea, deputy-governor of the Bank of England, it is the capacity of London to "accommodate innovation" that was and will be the main factor in its success.

While the City is convinced it has overcome the hurdles of the early 1990s, some concerns are acknowledged. "London only needs a major regulatory mistake for business to move elsewhere," warns Sir Peter Middleton, chairman of BZW, the investment banking arms of Barclays bank.

Many in the City feel that the biggest danger comes from Brussels. "The drive of the European Commission to harmonise is a danger to us because our dealings are much more complex than on the continent," says Stanislas Yassukovich, chairman of the investment firm Cragnotti and Partners, who chairs the City research project.

A European problem the City does not take seriously is the threat to its eminence from Frankfurt or Paris. Michael Lawrence, chief executive of the Stock Exchange, is clear that these two markets have an important role to play at the "regional" level, but London will remain the only international centre.

With such self-confidence in the City, the foreign observer is occasionally irritated by a whiff of complacency. The Lord Mayor of London, Sir Paul Newall, recently spoke disdainfully of "the political decision to locate 300 bureaucrats and regulators" in Frankfurt, referring to the creation of the European Monetary Institute, the precursor of a European central bank. His stance sits uneasily with the efforts deployed by the corporation and the UK government to bring the EMI to London.

The main development which could jeopardise the City would be the creation of a single European currency without the UK. The choice of Frankfurt for the EMI "is a threat. There are foreign banks here because we are part of Europe," says Sir Brian Pearce, former chief executive of Midland Bank. "If Britain is marginalised in Europe, things can change. The American and Japanese banks could not afford not to be in Frankfurt."

Were a single European currency to exclude the UK, there would not be an instant exodus from the City, but the main firms would have to reconsider their position.

Whatever efforts were deployed to address the problems the City might still see its role as Europe's financial capital endangered by a marginalisation of the UK in the European Union. Sooner or later, Britain will have to decide whether it goes along with the building of an "ever closer union". Unless it can, the unique achievement of the City in becoming a truly international financial centre could still be the victim of politics.

The author, UK correspondent of the French financial newspaper *Les Echos* since 1990, is returning to Paris this summer

Later this year, Hong Kong's Peninsula Hotel will open its extension, a 30-floor tower with two helicopter pads for guests to make flying visits to factories in southern China.

Rooms in the Peninsula's HK\$1.6bn tower will have bedside reading lamps designed by Boeing, which focus light so precisely that insomniac guests can read without disturbing their bed mates. Sanyo, the Japanese electronic company, has designed facsimile machines for the bedrooms which are completely silent. A small bedside light indicates that a fax has arrived.

Rival Hong Kong hoteliers are amused by the grandiosity of some of the Peninsula's new features. Like the Peninsula, however, they believe they stand to benefit from the growth in visitors to Hong Kong - both leisure tourists and business travellers using the territory as a base to do business in China's booming markets.

Tourism has overtaken electronics to become Hong Kong's second biggest export earner after textiles. Last year, 8.9m people visited the territory, spending HK\$350m (\$5bn). Mr Stephen Wong, a spokesman for the Hong Kong Tourist Association, predicts that tourism will eventually be the territory's biggest foreign exchange earner, as textile manufacturers move their factories to China.

Some in the hotel and tourist industry admit that they do not know what will happen after 1997, when Hong Kong reverts to Chinese control. Most, however, say they are confident the territory's tourist boom will continue. The tourist association expects 15m people to visit Hong Kong annually by the turn of the century.

While the territory has been, and will continue to be, a base for business travellers visiting China, there has also been a large increase in Chinese tourists to Hong Kong. Until 1992, the tourist association did not include Chinese visitors in its statistics; most Chinese visitors had their trips paid for by Hong Kong relatives and were not seen as contributing to the local economy.

Now, however, Chinese visitors are increasingly funding their own trips. Last year 1.7m Chinese residents visited the territory, an increase of 51 per cent on 1992. China now provides Hong Kong with more tourists than any country apart from Taiwan.

The health of the tourist

Happy hoteliers - do not disturb

Visitors to Hong Kong are filling more rooms, but can the good times last, asks Michael Skapinker

industry resulted in hotel occupancy in Hong Kong last year averaging 87 per cent, compared with 74 per cent in London, the most buoyant European tourist city.

Business has not always been as easy for Hong Kong's hoteliers. In the late 1980s and early 1990s, the territory witnessed a hotel building boom. In 1988, the tourist association had 65 member hotels. By 1992, there were 86.

The building boom coincided, however, with a sharp slowdown in the growth of Hong Kong tourism. Like hotels elsewhere in the world, Hong Kong establishments were hit by the Gulf war and the onset of recession in the US and western Europe.

But unlike their competitors in other regions, Hong Kong's hoteliers had to contend with another setback: the Tiananmen Square massacre of 1989, which severely shook confidence in the territory.

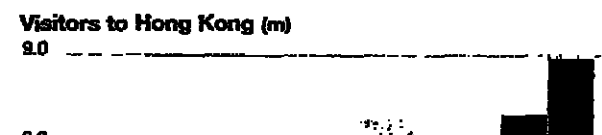
Since 1989, however, visitor numbers have risen by 67 per cent. Last year, tourist arrivals increased by 11.6 per cent. In the first three months of this year, they were up 8.2 per cent over the same period in 1993.

This poses a problem for the territory's tourist officials: where to accommodate them all. Mr Wong believes tourism is set to grow more quickly than the supply of hotel rooms. By 1997, the tourist association expects Hong Kong to have 35,000 hotel rooms, only 1,500 more than it has today.

While hotels such as the Peninsula are adding new rooms, other hotels have been pulled down to make way for office blocks. In a territory where land is in such short supply, offices provide an even better rate of return than hotels.

In January, Ladbrooke, the UK leisure group which owns the Hilton International chain, agreed to give up the management of its hotel in the territory in return for a payment of \$125m from Hutchison Whampoa, the Hong Kong conglomerate which owns the building. Hoteliers expect the Hilton to be pulled down to make way

Hong Kong: high-time for hotels



Source: Hong Kong Tourist Association

for an office complex, although this could include a new hotel as well.

The slow growth in room numbers is good news for existing hotels, which should be able to raise rates as visitor numbers grow. It is a less welcome development for Hong Kong, which needs accommodation for its tourists.

The construction of a new airport, currently the subject of negotiations between the UK and China, could provide a solution. Tourist officials see the airport as the centre of new hotel developments, similar to that that surround London's Heathrow and Gatwick airports.

Despite their high occupancy levels, hotels in central Hong Kong do have problems, particularly with staffing. The diffi-

culty is not the quality of staff: hoteliers with experience around the world say Hong Kong staff are more committed and harder-working than employees they have managed anywhere else.

The difficulty is recruiting them and persuading them to stay. Until a decade ago, Hong Kong employees stayed with the same hotel for years. Mr Michael Hoffmann, the Peninsula's manager, says the hotel's oldest employee started at the hotel as a 12-year-old page boy when it opened in 1928. He now works in the banquet department.

Today, however, young people in Hong Kong are increasingly mobile. Hong Kong hotels report annual staff turnover of 30 or 40 per cent. Mr Seamus McManus, general

manager of the Mandarin Oriental, says there is stiff competition for staff from other service industries, such as retailing and banking. Hotel employees frequently leave to set up their own service businesses - driving taxis or cleaning carpets.

Mr Jürgen Wolter, manager of the Hyatt Regency, who has worked in Hong Kong for 25 years, says: "In 1988, if a position as a waiter or a cook became vacant, you would have 20 people waiting outside. Today, if you have 20 positions vacant, you would be lucky to have one person applying."

One answer would be to employ staff from elsewhere, but restrictions on immigrants from China and elsewhere in Asia are tight and are expected to remain so after 1997.

High staff turnover means hotels have to spend more time training new employees than they do in other countries. Mr McManus says the Mandarin Oriental employs seven full-time trainers. In other parts of the world, he says, hotels might employ one or two, or pay an outside company to train staff.

Another problem confronting hoteliers is what they see as the declining standard of English in the territory. As 1997 approaches, Hong Kong school pupils are spending more time on Mandarin and less on English. While this might be understandable from a political point of view, Hong Kong's hoteliers say it makes it much more difficult for them to serve their guests. Even after Hong Kong reverts to Chinese control, they say, the language of international business will continue to be English.

Mr Wong, whose wife teaches English at a Hong Kong secondary school, says that, while he agrees there has been a decline in standards of English, the deterioration is small.

Mr McManus says, however, that the situation is so serious that hotels might have to think about installing staff language laboratories to improve employees' English.

Deteriorating language skills, however, are unlikely to deter visitors, particularly when general service standards are so high. Continued political stability in the territory will be of far greater importance to the continued growth of Hong Kong's tourist industry. Local hoteliers are praying it will continue.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Foreign investment in UK not all positive

From Dr Jim Hamill

Sir, Andrew Baxter presents an accurate account of the recent investment in Britain Bureau "Foreign groups create record total of jobs", July 22). Unfortunately, the IBB report itself presents a totally misleading picture of the employment effects of inward direct investment in the UK. The employment data quoted in the report cover jobs promised by inward investors rather than jobs actually created and take no account of the jobs lost as a consequence of foreign investments from the UK. Furthermore, to argue that

30,000 jobs were saved as a consequence of BMW's acquisition of Rover is surely difficult to substantiate as it assumes that all of these jobs would have been lost if the acquisition had not taken place and that there will be no job losses post-acquisition.

I would agree with industry secretary, Michael Heseltine, that "thousands of people are at work today because of our success at attracting inward investment". However, I would also point out that thousands of people are out of work today because of foreign investments from the UK, and numerous examples could be quoted. I

would also point out that the job security of thousands of people is being threatened as a consequence of the recent wave of foreign acquisitions in the UK.

Since 1985, there has been a total of 1,276 foreign acquisitions in the UK, valued at £13bn. Many of the UK's largest industrial and commercial enterprises have passed into foreign ownership as a consequence of being externally acquired - Rover, Midland Bank, Beecham, Rowntree, Jaguar, Pearl Group, Yorkshire Bank etc. Preliminary results of research being conducted by SIBU suggest that the employ-

ment effects of inward investment in the form of acquisition may be negative.

The British government is unique in viewing such foreign takeovers as a sign of confidence in British competitiveness and, given the scale of acquisition activity, there is an urgent need for detailed study of the long-term effects on the British economy of external takeovers.

Jim Hamill, Reader, Strathclyde International Business Unit, Department of Marketing, University of Strathclyde, Glasgow G4 0RQ

Potential of hydro-power

From Dr T L Shaw

Sir, Roland Adburgham's review ("MPs back wind farms for Wales" July 21) of the Welsh Affairs Committee's report on wind farms in Wales picks up issues which prompt me to point out that local interest in hydro-power schemes differs sharply from that in wind. For example, modern hydro schemes are essentially below ground and so do not visually intrude on the landscape; their economics are improving to the point where state subsidies are not needed; and investment is becoming increasingly indigenous.

Furthermore, there is potential for many schemes of a size sufficient to meet nearby demands. Renewable energy sources are as variable in their implications as those regarded as conventional.

T L Shaw, Shrewsbury, The Old Vicarage, Ston Easton, Bath BA3 4DN

Voting against the means, not the end

From Mr Mel Read MEP

Sir, Your leader "Euro Follies" gives a less than adequate analysis of the complex issues surrounding the European Parliament's rejection of the Council's position on voice telephony liberalisation.

The Parliament has made it absolutely clear that on the substance of voice telephony liberalisation there is broad agreement between Council, Commission and Parliament. On points of disagreement, considerable progress was made towards acceptable compromises during the conciliation procedure.

On the dreaded question of comitology (the process by which European legislation is implemented and reviewed - the rough equivalent of statutory instruments in the UK), there was no compromise. Parliament is demanding equivalence of treatment: where Council has a second bite at legislation, so should the European Parliament. What the

Council wants is exclusive control over implementing measures stemming from the directive. This principle is relevant to dozens of legislative proposals and an urgent intra-institutional agreement is needed to settle the matter.

As the rapporteur on voice telephony, I proposed an ad hoc solution on comitology and voice telephony, but Council would not budge.

Your leader says: "With luck, the telecommunications package can be reassembled soon". I made it clear in the European Parliament that we will do all in our power to facilitate this. It is not the European Parliament setting its face against economic progress, as you allege, but the Council of Ministers' refusal to accept the democratic principles of the Maastricht treaty signed by the same Council. Mel Read (Labour, Nottingham & Leics NP), St Great Central St, Leicester LE1 4ND

Happy contrast - but objective?

From Mr Rodney Leach

Sir, According to Ian Davidson ("Too late to kiss it better", July 30), the government is in "craven submission" to the Eurosceptics, whose attitude is of "ill-tempered obstructionism" reliant on the "atavistic rhetoric" of "xenophobic nationalism". This has led to the "incomprehensible" squandering of our credit by "single-handedly precipitating a gratuitous and futile crisis" over the

presidency of the Commission. By happy contrast, there is the "gathering momentum" of the "logic" of a "new phase" of building Europe. "Irresistibly led" by Germany and embraced by Mr Tony Blair with "rational serenity".

Could it be possible that Mr Davidson has mislaid his objectivity somewhere? Rodney Leach, 15 Clarendon Road, London W11 4JB

Comments rather disturbing

From Ms Judith Benson

Sir, I was rather disturbed to read in the People column (July 21) the comments on Isabel Macpherson's appointment at Hoare Govett to shake up its smaller company corporate finance activities.

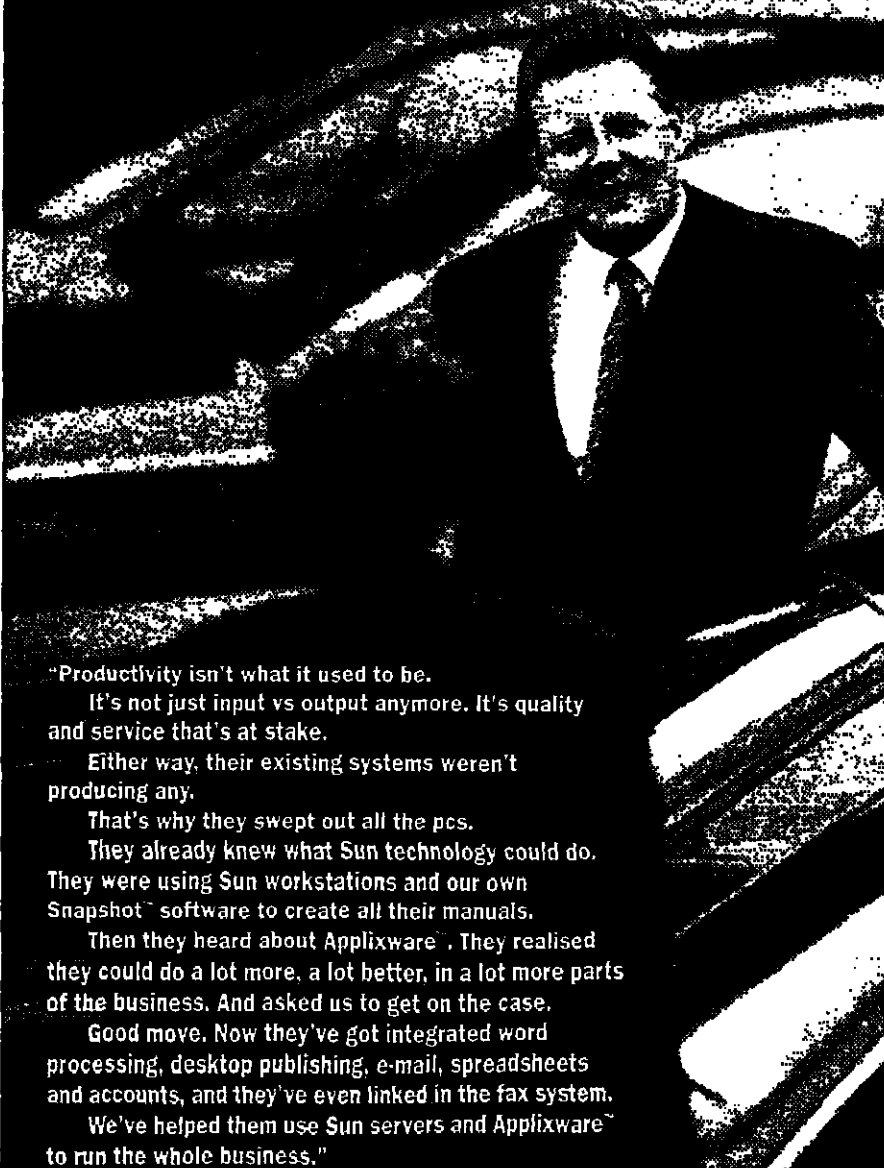
Your writer seemed to feel that women make a habit of "swanning off on maternity leave at the drop of a hat", and that views on children expressed four years ago were

worthy of comment, given her new role.

I found these comments, however humorously meant, very offensive, particularly in a newspaper such as the Financial Times. They encapsulate an attitude which women encounter all too frequently in their working lives.

Judith Benson, 13 Burford Road, Horsham, West Sussex RH13 5SP

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Tuesday July 26 1994

Mandate to change

Many have tried, few have come closer. Unlike his predecessors, President Bill Clinton still has a chance of reforming America's health system. Congress might, just might, send him an American Health Security Act by the end of the year. During the next few weeks, Mr Clinton must fight to keep it worthy of the name.

Unravelling his health reform package in February, Mr Clinton vowed to veto any bill which did not secure health coverage for the 16 per cent of Americans currently uninsured. Six months of Congressional bargaining later, the detail of the plan is dead. But various incarnations have survived, clearing the way for votes in both Houses by the middle of August. The administration has a few weeks to reconcile them, not merely with one another, but with the president's earlier promise.

The reasons to reform the US health system are as compelling now as they were when Mr Clinton was elected. Though 37m people - one-third of them children - are uninsured, healthcare consumes a fast-growing 14.4 per cent of the country's GDP, far more than in other rich nations. Thanks to an intractable mix of government benefit programmes and tax exemptions, the federal budget deficit takes much of the strain.

Untangling this mess means finding a way to contain costs, extend coverage, and reverse the effect on the deficit. At bottom, that means greater government oversight, less opulent health insurance packages, and higher taxes. All of these measures would be unpopular. Were Mr Clinton starting afresh, for example, a system of government-purchased universal health insurance, funded by a new value-added-tax, would be the best choice. But he is not.

Fewer savings

Instead, Mr Clinton backed a form of market-friendly regulation to slow down costs. Though his own version has been much diluted, "managed competition" of some form may survive, though it will deliver fewer cost savings than initially hoped. By itself, it will also deliver less in the way of wider insurance coverage.

"Universal", or close to universal, coverage will not be achieved without, first, requiring the pur-

chase of insurance and, second, providing subsidies to those who cannot currently afford it on their own. Mr Clinton's way of approaching this was a mandate forcing companies to insure all of their employees, with the employer meeting the bulk of the cost. Another, more promising, approach was to place the mandate on individuals.

Mid-term election

Both proposals are all but dead in Congressional terms, at least as far as the first wave of reform is concerned. With a difficult mid-term election in prospect, Congress looks set to defer the tricky revenue-raising which either proposal implies until the turn of the century. If a milder batch of reforms and subsidies has not brought "universal" coverage by then, Congress may or may not be forced to take more radical steps.

Much breath has been wasted on what "universal" should mean. Outside a British or Canadian-style system, coverage will never be absolute. Mr Clinton indicated last week that 95 per cent of the population might be considered adequate, but then seemed to backtrack. Clearly, a compromise is in order. But the administration will lessen its chances of success if it continues to look so confused.

None of America's most lasting social reforms has been passed by a narrow, scrambled vote in Congress. The president rightly fears that his bid for posterity will be shaky if he does not win a safe margin of support for the final bill. Nevertheless, there are two reasons why he should hold out for a bill with a firm timetable for achieving close to universal coverage, even if the timetable ends up longer than planned.

Next steps in Ulster

The news from Sinn Féin is, as ever, dire. The political wing of the Irish Republican Army announced, after lengthy deliberations on Sunday, that sections of the joint Irish-British peace declaration of December 1993 were "negative and contradictory". It could not, it said, accept what it called the "Unionist veto" on a united Ireland. It declined to promise that IRA terrorism would cease, so that points of difference could be debated at the conference table. Clearly the IRA/Sinn Féin is fixated on the idea that, since it cannot persuade a majority of the people of Ulster to accept the governance of the Republic of Ireland, it must persist in its attempts to bomb them into submission. This strategy of the "armed struggle" has failed for 25 years. It will fail even if it continues for another quarter of a century.

There will not be peace until the IRA understands this. Sinn Féin leaders are adept propagandists. They talk misleadingly of a "new phase in the peace process" while they simultaneously decline to call an end to violence. They are not, however, shrewd judges of the British character. The public is horrified at the long run of atrocities perpetrated by the IRA and, in recent years, the "loyalist" paramilitaries. This does not mean that a policy of cut and run would be tolerated. The contrary is true. Any British government, of whatever colour, that left the people of Ulster in a state of chaos and civil war would be held in deep contempt. Its survival in office would be in doubt.

Democratic basis

The search for a political solution must therefore continue. The joint declaration provides a democratic basis for such a solution. Its cardinal principle is self-determination. Any party that wants a united Ireland must persuade a majority of the people of Ulster, as of the Republic, to accept it. It is this principle that sticks in Sinn Féin's throat. So be it. The British and Irish governments should have quickly towards a new constitutional settlement.

The other participants in this process are Northern Ireland parties that have renounced violence and are willing to attend talks. In essence this excludes the Unionist party led by the Reverend Ian

Paisley as well as Sinn Féin. Progress towards a "framework agreement" has been delayed for too long while waiting for the IRA to renounce violence and the Paisleyites to join the negotiations. Mr John Major could make this clear to Mr Paisley today.

What is required now is a willingness on the part of all those who are in the talks to take risks. Each party to the process knows the leap of faith that is required; none has yet demonstrated a willingness to make the jump. The Ulster Unionists led by Mr James Moynihan would assist if they entertained proposals for cross-border co-operation. Mr John Hume's mainly Catholic Social Democratic and Labour party should abandon the illusion that it can influence Sinn Féin. The details of Mr Hume's agreement with Mr Gerry Adams, president of Sinn Féin, should be published. It might expose the emptiness of the latter's protestations.

Clear statement

The British government could assist by presenting a draft amendment of the Government of Ireland Act. That would have to include a clear statement of intent to transfer sovereignty over Ulster should its people wish it. Such a statement would constitute a guarantee that Britain means what it says about self-determination. In return, the Irish government would be asked to bring forward counterpart amendments to articles 2 and 3 of the Republic's constitution, so that the aspiration for a united Ireland contained in them would be tempered by phraseology to the effect that Ulster is recognised to be part of the United Kingdom unless its people decide otherwise.

This last leap forward may be the most difficult for any of the parties concerned. All Irish political parties save Sinn Féin accept the Irish-British joint declaration. So does an overwhelming majority of the Irish people. Singling out the proposition that Ulster can decide on its own is, however, risky. Putting it to a referendum might backfire. People in the Republic are uneasy when accused of leaving their northern cousins in the lurch. Yet if the peace process is to be accelerated, someone has to make the first move. If not the taoiseach, who?

"The separate economic blocs and all the friction and loss of friendship they must bring with them are expedients in which one may be driven in a hostile world, where trade has ceased over wide areas to be co-operative and peaceful and where are forgotten the healthy rules of mutual advantage and equal treatment. But it is surely crazy to prefer that."

BRETTON WOODS
1945

co-operation during the second world war.

A month after the landings in Normandy, a new world economic regime had been designed at the celebrated conference in Bretton Woods, New Hampshire. That the victory was not wasted was largely due to the revival, at least in the industrial countries, of the ideas Keynes extolled. It has not been the details of the Bretton Woods agreement that matter. Many have had to be abandoned. What has mattered most is the commitment to a co-operatively managed and increasingly liberal global economy. That is the legacy to cherish.

Anniversaries are valuable if used for taking stock of what is left from the past and for devoting thought to the needs of tomorrow. Largely by chance, now is an appropriate time in which to ask what the needs of tomorrow might be.

The collapse of the only serious rival to the liberal model is five years old, long enough not only to become used to that event, but to appreciate the scale of the economic challenges for the western world is the need to adjust to the rise of east Asia. A world economy in which only about a sixth of the population enjoyed prosperity will be transformed by the arrival of perhaps another 3m. Nor will the challenge be merely economic. This will be more than a mere shift in power among similar countries: Five centuries of dominance by Europe and its American progeny are coming to an end.

Fortunately, at President Clinton's prompting, western leaders have shown a belated awareness of the issue in calling, at the recent summit of the Group of Seven industrial countries in Naples, for a review of institutional requirements in the global economy. So what might a comprehensive report to the G7 leaders cover?

The starting point is the success of the postwar economic system, a success measured by almost five decades of trade-led growth (see chart). Even though increased real incomes have been enjoyed in most parts of the world, they have not been enjoyed everywhere. One fifth of the world population produces - and enjoys - 85 per cent of the world's income. The degree of global inequality has also been increasing. Worst of all, even though most indicators - such as infant mortality, life expectancy and school enrolment - show improvements since the 1950s almost everywhere, more than a billion people, mostly in Sub-Saharan Africa and South Asia, subsist on less than a dollar a day.

Economies have done well and their residents prospered to the extent that they have been able, or willing, to exploit the opportunities offered by an increasingly global market economy. North America, Europe and Japan have been able to do this. So too have many developing countries. The paper, *Learning from the Past, Embracing the Future*, released by the World Bank last week, shows that income per head in east Asia had risen by some 350 per cent since 1960, while that of Latin America is significantly lower than it was in 1976. Worst of all, Sub-Saharan Africa's income per head is back where it was in 1960.

Such failures are, above all, those of nation states. One part of the problem has been the determination

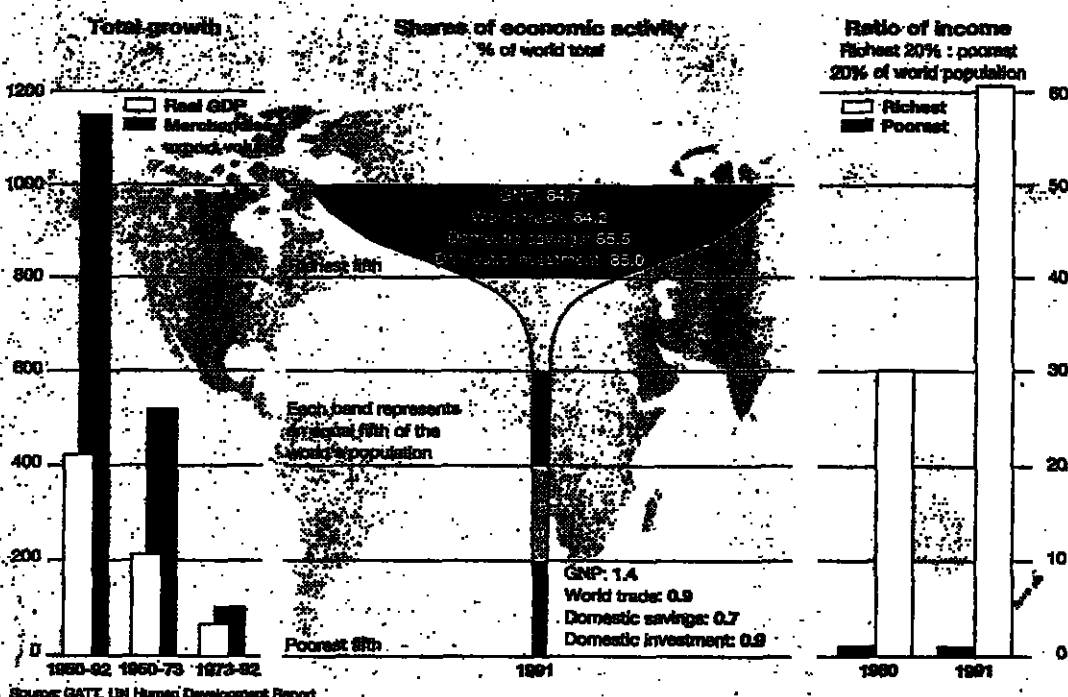
Martin Wolf offers the Group of Seven leaders a recipe for reforming the world's economic institutions

If you go down to the woods today

World trade has led world output, but growth has slowed post-1973

... the distribution of world income is highly unequal ...

... and inequality has increased since 1960



of many developing countries to turn away from the global market, by seeking the bankrupt path of "self-reliance". This mistake can be rectified. But the difficulty is deeper than that. Many states are unable or unwilling to provide such basic economic services as reasonably impartial property rights enforcement, efficient or honest administration, basic education and health, or minimal infrastructure. Not infrequently, governments have been murderous and exploitative. Worst of all, states have occasionally dissolved altogether.

First, the most important purpose of international economic regimes is to render national policies globally compatible. Sometimes this is done through day-to-day co-operation. It is done more effectively, however, by embodying international agreements within domestic laws and policies. That is what the General Agreement on Tariffs and Trade has achieved, if partially.

Second, at least half of the spending of modern states is concerned with income redistribution, with internal income transfers as much as 50 times larger than international ones. In consequence, citizens of states that are both impoverished and incompetent (or worse) are excluded from the benefits and opportunities afforded by the global economy, except through migration.

Third, because the politics of wealthy countries focus on internal income distribution, developments that undermine customary patterns are immediately subject to attack by protectionist antibodies. One of the great challenges for the industrial countries in future will be to sustain economic openness under such pressures.

Finally, the customary complaint that the internationalisation of the world economy jeopardises sovereignty is correct, but only in the sense that it curbs redistributive policies by limiting a government's ability to tax mobile factors of production. It is wrong in the mistaken proposition that countries cannot affect their economic fates. Whether or not a government encourages its people to exploit global opportunities has, in fact, proved decisive. Compare east with west Germany; South with north Korea; Chile with Peru; or Taiwan with mainland China. Policy matters. That is why governments matter too.

The principal purpose of international economic institutions is to reconcile the politics of nation

states with their international interests and obligations. With this in mind, the international economic regime of the future should ideally cover five areas:

- monetary and financial stability;
- economic development;
- trade and investment;
- the environment; and
- migration.

In each case, the aim should be to try to minimise government and maximise the play of the market. This is not just a question of ideology. It is a practical matter. The capacity to co-operate is limited. It should be harnessed, just like any other globally scarce resource.

Monetary and financial stability. The Bretton Woods monetary regime was a brilliant failure: brilliant, because of the exceptional economic progress that occurred

during its heyday, and failure, because it collapsed in the early 1970s. The lesson, underlined by the breakdown of the hard ERM during the summer of 1993, is that adjustable-peg exchange rate regimes are inherently unstable without extensive exchange controls.

Yet floating exchange rates have been far from an unalloyed success. Real exchange rate variability has been far greater than many had hoped. For this reason, the attractions of fixed exchange rates and target-zone regimes are substantial. But this is a point at which the objectives of states clash with international economic aspirations. Maybe a decade or two of sustained low inflation and fiscal discipline in important economies (neither of which is to be taken for granted) will allow formation of a common monetary policy in the leading economies. At present, this is a fantasy. So too is the hope for an agreement on equilibrium real exchange rates and a willingness to back them up with policy changes.

Floating exchange rates may not be ideal, but they have proved workable. They will also remain in operation for the foreseeable future. If correct, this leaves the IMF with no more than a marginal role in international monetary affairs. As financial markets become more global, domestic supervision becomes increasingly difficult. A global supervisor is one possibility. A more plausible alternative, however, is greater supervision by the market. The right policy would be a determined assault on the sources of moral hazard, such as deposit insurance, combined with provision of both more and more timely information to the marketplace.

Economic development. There is no great mystery about what makes for successful economic development. The recipe consists of well-motivated people, operating within the global market, under the aegis of a supportive and fiscally self-disciplined government. Unfortunately,

such states are rare. In their presence, international assistance is helpful, but marginal. Developing countries that meet such criteria now have little difficulty obtaining resources from the private markets. In their absence, assistance is almost doomed to failure.

It is this grim reality that critics of the World Bank and IMF fail to confront. The legitimate criticism of those institutions is not that they have been too tough, but that they have far too weak in supporting member governments that have neither the capacity nor the intention to do as they have promised. States become bankrupt financially because they are already bankrupt ideologically and politically. One of the greatest challenges facing the world community consists in dealing with such situations.

Meanwhile, an uncomfortable overlap between the functions of the World Bank and the IMF remains, with both increasingly concentrated on a number of relatively unsuccessful states. They must at the least be forced to co-operate still more closely.

International trade and investment. The World Trade Organisation, whose power rests upon agreements embodied in the domestic law of its members, should take pride of place in trade. It would also make sense to nest international agreements on investment within the WTO. Otherwise, the agenda is clear enough: to liberalise further on the one hand, and to ensure that any well-require another trade round later this decade.

Environment. A case can be made for an international environmental regime, housed within a global environmental organisation. One aim would be to bring together all the existing environmental treaties. Another would be to protect world trade from the intrusion of environmental considerations. The most important aim, however, would be to ensure that international environmental oversights are handled by a consistent set of global rules that carry over into domestic policy.

The starting point should be the "polluter pay" principle. Its main value would be to reveal that industrial countries are the main polluters. The US, for example, generates a quarter of global output of carbon dioxide from fossil fuels and cement manufacture. Correspondingly, industrial countries must pay most for their disproportionate exploitation of the global commons.

Migration. At present, there is no international organisation to regulate flows of people, though there is such a policy for flows of both goods and services. This is an obvious anomaly. A host of questions - such as taxation of the brain drain or treatment of guest workers - should be covered.

This then is the agenda for the G7. But it cannot exclude the G7 itself. It is there to be an overarching body charged with global economic co-ordination and co-operation and, if so, should it be the informal G7 or something broader or more formal?

There is, in fact, a strong case for keeping the G7, while using any relevant international organisation to support it. One consequence of a world of unequal sovereign states is that it is also an undemocratic one. What is needed is responsible leadership. Leadership can only be provided by those with the resources and the influence to exercise it. At present, that is principally the G7, though in time its membership will have to change, as the world economy does. The challenge, however, is also to act responsibly. It was difficult enough in the past. Now that the cold war is over and huge upheavals ahead, it may prove still more difficult in future. G7 leaders, be warned.

Previous articles in the series appeared on June 21 and 28 and July 8, 15 and 20

Santer's old boys

Securing the presidency of the European Commission was the last of Jacques Santer's problems. Far from being able to craft a fresh team, he looks set to inherit a lot of familiar faces - quite apart from the ticklish matter of adjudicating between member states with some firm ideas regarding the remaining slots to be filled.

As many as eight Commissioners could be staying on, some pressing for bigger and better jobs. These would include Manuel Marín, the Spaniard in charge of development policy, and Henning Christophersen, who handles economic and monetary policy. Having been in situ since 1985 and 1986 respectively, they seem to be becoming more-or-less permanent fixtures, alongside German industry commissioner Martin Bangemann.

Others likely to remain in town for the new five-year term include Karel Van Miert, in charge of competition policy, Joao Deus de Pinheiro, the left-back Portuguese commissioner in charge of audiovisual and information policy and Marcelino Oreja, the Spaniard who has just arrived to take over energy and transport.

Then of course there is the plum job of chief EU trade negotiator, currently inhabited by Sir Leon Brittan. He must fight the French, who want him out. But, if he hangs

on successfully, France would demand the competition or industry portfolios as recompense.

EU enlargement complicates the new man's job still further. If all goes to plan, the Santer Commission would increase from 17 to 21 members, but Norway and Sweden only hold their referendums in November, while Santer is supposed to present his team to parliament for vetting in October. If he misses this date, he will hand the newly-embellished MEPs just the opportunity they need to wade in with their own opinions.

Code breaker

Phantom withdrawals are one thing, but automated teller machines can spread alarm in other ways too.

One Friday recently, the customer of a Lisbon bank was attempting to extract cash from her local hole-in-the-wall. She reckoned her account was a few thousand escudos in the black, and was consequently a trifle taken aback when the machine lighted up the happy news that she was overdrawn - to the tune of Es\$8m (€382,000).

Had her handbag not been stolen some days before, she might have seen the amusing side.

As it was, the fact that she had cancelled her stolen cheques and bank cards was scant comfort as she waited to quit a real live teller the following Monday. "An

OBSERVER



"I'm sorry, sir, your train season ticket does not entitle you to drive in the bus lane"

eighty-eight million overdraft?" he enquired nonchalantly. "Oh, that's just our code to indicate your cheques have been cancelled."

Portillo's petard

Does Observer detect a more than usual degree of smugness at the Treasury? Before he left for pastures new, Michael Portillo drew up a detailed assessment of the scope for cost savings around Whitehall. Wasteful and inefficient use of resources at the Department of Employment was one of the former chief secretary's gripes, and

he highlighted the ministry's £2.5bn annual budget as a prime candidate for the scythe during the autumn spending round. Now that the ultra-dry Portillo is getting a squint at that supposed profligacy from the boss's seat, his first decision will be to drop his predecessor's demand for extra funding and instead to oblige with substantial cuts. Or, if not, his erstwhile colleagues will want to know why.

Pen pal

Yukio Sato, president of Yamachi Bank in Switzerland, is laudably unselfish about the paucity of Japanese vases and lacquerware lining his shelves. In fact, he would like to call a halt to the collection now, and with it the age-old bond market ritual whereby investment bank and borrower exchange lavish gifts at the signing ceremony after the completion of an issue.

Last month, he secured the co-operation of Pigeon Corp, a Japanese baby-care products group, to waive the gifts and to join Yamachi in a donation to the Swiss Red Cross instead. Last week, Goldwin, a Japanese sportswear maker, followed suit.

Sato says he can still see a purpose in bestowing prezies on a first-time client, but from now on will try to push repeat issuers down the charitable route. Only snag is, with heart-warming ideas like these, has Yamachi kissed

good-bye to the notion of winning a mandate from Vintners, makers of those posh Mont Blanc pens?

Victimless

The casualty list after last week's musical chairs in John Major's government may be a bit shorter than first appeared. Far from being a victim, Tim Sainsbury tells Observer he asked to go.

He is now 62 and has spent 11 unbroken years in government, so Sainsbury decided that four years at the department of trade and industry was enough.

Intriguingly, he says he also yearned for some freedom to speak out against Sunday trading laws - which might make for some interesting chats with the rest of the Sainsbury family.

Blindman's buff

To the back of the class. The government, struggling to secure a chief executive for the new Teacher Training Agency, has had to readvertise the job, increasing the pay by a third on the way.

So if you are an excellent communicator, have experience of start-ups, and fancy managing a £180m budget, you can now reap £30,000 a year for running a quango. And ignorance of the subject is really no handicap. Knowledge of the English education system is merely "desirable", the ad suggests.

Attempt to escape disease and starvation Refugees struggle back to Rwandan capital

By Leslie Crawford
in Gisenyi, Rwanda

Tens of thousands of Hutu refugees, in a thin ribbon stretching along the 160km from Gisenyi, in Rwanda, to Kigali, the capital, have returned home to throw themselves on the mercy of the country's new Tutsi-led government.

The refugees, who fled Rwanda in panic, are returning rather than face death from cholera and starvation in Zaire's overcrowded refugee camps.

The exodus began after Zairean troops reopened the border crossing between Goma, in Zaire, and Gisenyi on Sunday.

The returnees are barefoot, carrying their meagre belongings on their heads. After surviving the horror of Goma, many are too weak to make the return journey and several have died only a few kilometres outside Gisenyi.

There are no relief agencies to help them along the way and little food. The Hutu exodus swept the mountainous north-west of Rwanda like a plague of locusts. Banana groves have been stripped of fruit. The bean harvest has rotted. Hills have been denuded as swathes of trees were chopped down for firewood.

US military officials have arrived in Kigali in recent days to begin the planning of their humanitarian relief operation.

Ms Alison Campbell, a spokeswoman for the relief agency Care, said: "If the refugees understand they are receiving aid from Kigali, and news spreads that the Rwandan Patriotic Front is co-operating with the international relief effort, this could have an important psychological impact in helping build trust between the refugees and the new government."

Relief workers in Goma, however, said the return of refugees had not begun to dent the magnitude of the humanitarian catastrophe in Zaire. Cholera is killing refugees in their thousands. The 28 trucks assigned to collecting the dead have been overwhelmed by the number of corpses.

Mr Peter Hansen, a special envoy of the UN secretary-general, Mr Boutros Boutros Ghali, yesterday told reporters that the UN's emergency funds were exhausted and that it had no money to continue the relief operation. He said the UN would request a new appeal for \$440m (\$294m) to deal with the crisis, but he was not optimistic about receiving the funds swiftly.

"The situation is out of control," he said. But relief agencies are not yet advising refugees to return to Rwanda. A formal repatriation programme would require the agreement of the governments of Rwanda and Zaire and the UN High Commissioner for Refugees.

"It is not the role of non-government organisations to begin the repatriation programme," Ms Campbell said. "We are more concerned that people are fit enough to return home. We need to feed, shelter and rehydrate them here in Goma."

Yesterday, Mr Pasteur Bizimungu, Rwanda's new president, flew to Mauritius for a meeting with President Mobutu Sese Seko Zaire. His main concern is to obtain the voluntary return of Rwanda's population in exile.

Mr Bizimungu said he would also ask President Mobutu to disarm the soldiers and militia of the defeated Hutu army who are currently swarming around Goma.

He also said he would also request the Zairean authorities to arrest all those suspected of having taken part of the genocide of the Tutsi population and the massacre of the Hutu opponents of Rwanda's former regime.

UK meat traders warn over EU rules on beef

By Alison Maitland in London

The bulk of Britain's beef exports to the European Union will dry up this week when new restrictions to stop the spread of "mad cow disease" come into force, meat traders said yesterday.

"We've been sold down the river by the government," said one beef exporter, who did not want to be named. "They've agreed to a system which means we'll virtually stop exporting British beef to the EU."

The new rules agreed by EU agriculture ministers last week were hailed as a victory by Mrs Gillian Shepherd, then UK agriculture minister, because they led Germany to drop its threat of a unilateral import ban on British beef.

The rules say Britain may not export beef carcasses containing bone unless the animal is certified as coming from a herd that has been free of the disease, bovine spongiform encephalopathy, for six years, instead of two years as at present.

Agriculture ministry officials are advising meat exporters to develop a market for deboned beef instead.

According to figures from the Meat and Livestock Commission, an estimated 107,000 tonnes of "bone-in" or carcass beef were exported to the EU last year, some 84 per cent of total UK beef exports to the EU.

The purpose of deboning is to remove nervous and lymphatic tissues which might carry the disease. The new rules are designed to prevent diseased tissue finding its way into animal feed in continental markets.

A large beef exporter, who also did not want to be identified, said he would be forced to lay off about 150 people. He feared a knock-on effect on the British beef market.

He believed BSE was so widespread that no more than 18 per cent of animals could be certified safe for export, assuming their health history could be traced. The Ministry of Agriculture says there have been 131,757 cases of BSE and more than half the country's dairy herds have had at least one case.

The bulk of carcass beef exports are dairy cows that have passed their useful productive life and have been slaughtered, mainly for processing into meat pies and sausages.

Tracking the health history of these older animals, which may have lived on four or five different farms, will be extremely difficult, say traders and farmers' leaders. "Three, four or five years ago that animal may have come from another farm and the seller won't know if there was BSE there or if that farm had BSE subsequently," said Mr Ian Gardiner, policy director of the National Farmers' Union.

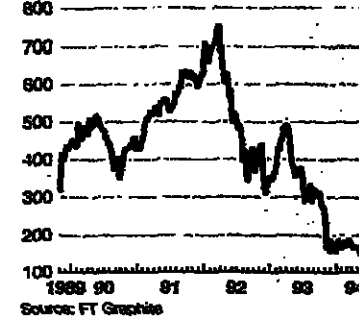
THE LEX COLUMN

Life gets tougher

FT-SE Index: 3106.1 (-8.6)

Euro Disney

Share price (pence)



Source: FT Graphics

Firmer fertiliser prices, decent demand outside Europe and lower exports from eastern Europe all helped improve the position over last year. But cost-cutting was the foundation of the five-fold rise in divisional operating profits in the second quarter.

European companies with less well-appointed spreads of business - or which have been less vigorous in pursuit of efficiency - can not be expected to deliver such a spectacular rebound. Neither can Norsk Hydro count on further sharp rises in all its main commodities at once. But companies which have been shaving costs through recession and are now achieving modest price increases may also surprise with the speed of recovery.

Radio

Investors in the UK television sector know how incoherent regulatory regimes can produce stock market mayhem. The radio sector may be about to experience a similar speculative frenzy. A judicial review of the Radio Authority's approval of EMAP's bid for Trans World Communications starts tomorrow. If the authority's decision is upheld, it could lead to a further rash of corporate activity. If not, it calls into question whether radio's regulator is deemed capable of minding its own back yard.

The review concerns EMAP's attempt to skirt ownership rules by proposing to sell two licences to a separate venture jointly owned with its merchant bank. This arrangement makes a mockery of the spirit, if not the letter, of the Broadcasting Act, although the Radio Authority seems powerless to object. Other companies

have devised similarly ingenious means of splitting ownership and control. Daily Mail and General Trust has increased its stake in Chiltern Radio above the permitted 20 per cent by buying more shares through a joint venture company.

Radio is already one of the hottest stock market sectors because of its high operational gearing and potential to grab a bigger slice of the advertising cake. For example, Capital Radio now trades on 36 times historic earnings. But with big media groups, such as Reuters, keen to muscle in on radio, the excitement may rise further. That makes it all the more imperative for the government to speed up its review of media ownership rules and finally introduce a coherent set of industry-wide regulations.

Euro Disney

There are two possible explanations for the 4 per cent fall in Euro Disney's shares in heavy volume yesterday. One is renewed short selling at the start of the new account on the Paris bourse. The other is that small investors took advantage of the first day's trading in the newly issued shares to sell them down to the rights issue price. What seems unlikely is that the underwriting banks have begun to anticipate a small take-up of the rights issue and are positioning themselves accordingly. Not only is the Saudi Prince al-Waleed standing by to relieve them of up to two-thirds of their exposure. The banks still claim no more than a faint inkling of how the issue has gone.

That said, it is regrettable that the French system requires a full month for subscriptions to be added up. A large uncertainty hangs over the shares meanwhile, and there are plenty of grounds for scepticism. On its own forecasts Euro Disney does not expect to make a profit before 1996; it will still be 250 per cent geared even after the rights issue.

Above all, the Saudi prince's intervention holds out no promises to outside shareholders. So far his presence has been more of a comfort to Walt Disney and the underwriters of the rights issue.

Perhaps his conference centre will fill up Euro Disney's under-used hotels, but financing the second phase of the theme park would remain tricky. Just because the prince made a handsome profit out of his investment in Chiltern does not mean the same must be true of Euro Disney too.

Congress opens Whitewater probe with Cutler testimony

By Jurek Martin, US Editor,
in Washington

The US Congress today opens its inquiries into the Whitewater affair, with Mr Lloyd Cutler, the White House legal counsel, leading a parade of administration officials testifying to the House of Representatives banking committee.

The remit of the congressional hearings - the counterpart committee in the Senate is due to begin its work later this week - is limited but could embarrass the administration and might further damage some prominent careers. The sessions will be televised.

By agreement with Mr Robert Fiske, the special counsel on Whitewater, the committees are to confine themselves to the

"Washington end" of the complex tale of land and financial dealings of President Bill Clinton and his wife in Arkansas in the late 1970s and the 1980s.

In a preliminary report last month, Mr Fiske cleared White House and Treasury officials of any criminal wrongdoing. But witnesses will be questioned on their knowledge of contacts between the Clinton White House and regulatory agencies with responsibility for investigating the Whitewater affair.

In a weekend TV interview, Mr Cutler said there had been "some regrettable errors of judgment" by some officials and that contacts should have been limited to White House and Treasury legal counsels. But, he said, his own internal review had found "no violation of any ethical legal standard".

Mr Roger Altman, deputy Treasury secretary and former acting head of the Resolution Trust Corporation, the agency set up to clear up the savings and loan debacle of the 1980s, appears to be under most pressure.

Mr Altman is suspected of concealing to Congress, in testimony last February, his full knowledge of contacts with the White House about criminal investigations of Madison Guaranty, a now defunct Arkansas savings and loan body, which is at the heart of the Whitewater affair.

Yesterday, the New York Times reported that the diaries of Mr Joshua Steiner, chief of staff to Mr Lloyd Bentsen, Treasury secretary, included notes that Mr Clinton himself was irate when Mr Altman decided to excuse himself from the Madison probe in February. Mr Clinton has denied any such intervention.

Mr Bentsen also faces questions about his knowledge of inter-agency contacts. Ms Jean Hanson, Treasury legal counsel, is reported to have told Senate investigators that she had attended a meeting in February, with Mr Bentsen and Mr Altman, about Madison, which preceded a briefing by Ms Hanson and Mr Altman of White House officials.

The Treasury secretary issued a statement on March 3 to say he was never informed of any such meetings. Over the weekend, Mr Altman's lawyer said his client had "no recollection" of the meeting described by Ms Hanson.

The conduct of the House committee hearings will depend in good measure on the chairmanship of Mr Henry Gonzalez, a Democrat. He was long opposed to the hearings and has been portrayed by Republicans as a staunch defender of the president. But his record for rooting out presumed malfeasance is long and impressive.

Bourse probe

Continued from Page 1

media reports and rumour reflects sensitivity to events which might damage Frankfurt as a financial centre. The start of the latest investigations coincides with the introduction in Germany - two years later than the European Union's proposed deadline - of new laws making insider trading an offence.

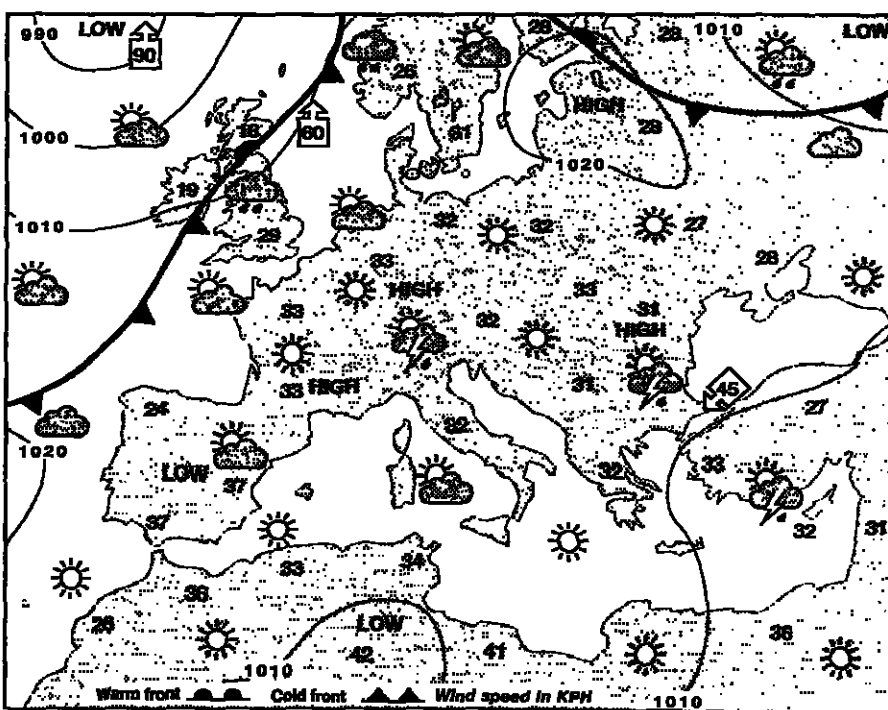
FT WEATHER GUIDE

Europe today

High pressure extending from the Baltic states to southern France will govern almost all of Europe. The heat wave will continue in Poland, northern Germany, the Alps, and many other areas. Any showers will be confined to the Alps and particularly to Switzerland. Sea breezes will slightly cool the Mediterranean coast. Near record temperatures of around 31°C will persist in southern Sweden. A lingering front over the British Isles will cause rain and outbreaks of thunder from the Irish Sea through Wales and into Scotland. Central England will have showers and the Republic of Ireland will be quite cool with a lot of cloud.

Five-day forecast

Cooler air will make slow progress over England during Wednesday but the continent will stay hot. Rain and thunder will develop in France and Belgium on Thursday but temperatures will continue between 30C-36C into the weekend in Germany, Austria, and most other central European countries. Norway will become cooler and unsettled with some showers, but the rest of Scandinavia will continue warm and rather sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Minimum
Abu Dhabi	36	28
Accra	30	24
Algiers	33	24
Amsterdam	20	14
Athens	32	24
Atlanta	34	24
B. Aires	13	8
Buenos	24	14
Bangkok	33	24
Barcelona	28	20
Cape Town	28	18
Cebu	30	24
Casablanca	28	20
Chicago	27	19
Cologne	27	19
Dakar	28	20
Dallas	28	20
Dhaka	31	24
Dubai	34	24
Dublin	19	14
Dubrovnik	30	24
Edinburgh	15	10
Frankfurt	26	19
Geneva	26	19
Gibraltar	27	20
Glasgow	19	14
Hamburg	20	14
Helsinki	20	14
Hong Kong	31	24
Horokanui	31	24
Island	29	24
Jakarta	32	24
Karachi	32	24
Kuala Lumpur	32	24
L. Angeles	26	19
Los Angeles	27	19
Lyon	16	10
Madrid	27	20
Manila	31	24
Moscow	29	20
Mumbai	31	24
Nairobi	32	24
Naples	26	19
Nassau	27	20
New York	27	19
Nice	28	20
Norwich	29	20
Ozlo	29	20
Paris	31	24
Perth	33	24
Puerto	32	24
Rangoon	32	24
Reykjavik	15	10
Rio	25	18
Rome	30	24
S. Francisco	14	8
Singapore	32	24
Stockholm	20	14
Strasbourg	20	14
Sydney	22	16
Taipei	32	24
Tel Aviv	33	24
Tokyo	30	24
Toronto	22	16
Vancouver	18	12
Varadero	31	24
Vienna	28	20
Warsaw	28	20
Washington	33	24
Wellington	19	14
Wiening	25	18
Zurich	30	24

No other airline flies to more cities in Eastern Europe.

Lufthansa

This announcement appears as a matter of record only.

PACIFIC
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FOOD
GROUP

A DIVISION OF
PACIFIC DUNLOP
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has acquired a 50% interest in the operations of



Meadow Gold Investment Co. Ltd.

a leading manufacturer of ice cream in China

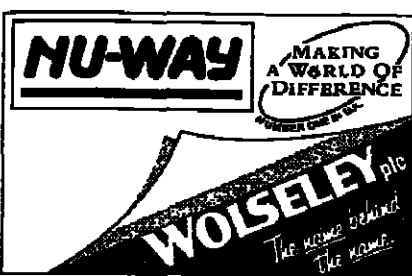
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May 1994



FINANCIAL TIMES COMPANIES & MARKETS

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Tuesday July 26 1994



IN BRIEF

Sprint in Mexican joint venture

Sprint, the US telephone group, and Grupo Iusacell, a leading Mexican cellular telecommunications company, are joining up to provide a long-distance service in Mexico. Page 19

France Télécom may seek industrial links
A report due this week from Marcel Roulet, chairman of France Télécom, is likely to recommend that the state-owned telecom group should open its share capital to industrial partners. The proposed legal change would enable the French government to reduce its holding and allow the operator to cement its industrial alliance with Deutsche Telekom. Page 20

MG Corp to end Castle relationship
Metallgesellschaft, the German industrial group, yesterday revealed it was planning to end its long-term relationship with Castle Energy, a US refiner. Long-term oil contracts between Castle, of which the German group owns 40 per cent, and MG Corp, its principal US subsidiary, have continued to sap the group's profits in the months since it organised a financial rescue. Page 18

UK cable group raises \$479m in US
Bell Cablemedia, the UK's third largest combined cable television and telephone operator, has raised \$479m in equity and debt on the New York stock exchange. This was the second and largest cash-raising exercise for UK cable on the New York exchange. Page 22

Bullough leaps to \$7m after reshuffle
Tight cost controls and restructuring have produced a sharp increase in interim pre-tax profits, from \$50,000 to \$7.13m (\$11.05m), at Bullough, the diversified engineering and office products group. Page 23

Foreign orders fuel Siemens
Siemens yesterday reported increased orders in spite of a 6 per cent slip in net profits. The German electrical and electronics group said that growth continued to be fuelled by foreign demand but that domestic orders were also improving. Page 19

Cable side boosts Capital Cities/ABC
Second-quarter profits at Capital Cities/ABC have increased by 25 per cent, benefiting from a strong performance by the US entertainment group's network, cable and international television businesses. Page 19

Goodyear advances 18%
Goodyear, the US tyre group, has posted an 18 per cent increase in second-quarter net earnings. Page 19

SGS-Thomson fights back
In 1993, Thomson Semiconductor of France and SGS Microelectronics of Italy were losing market share and struggling to survive. Eight years on, the merged group, SGS-Thomson, has achieved an impressive turnaround and is within striking distance of the world's 10 biggest semiconductor companies. Page 18

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Chief price changes yesterday

FRANKFURT (DEM)			PARIS (FFr)		
Alcoa	450	+ 5.5	BP	263.9	+ 7.7
Boeing	788	+ 14	CCF	234	+ 7.7
Deutsche Bank	482	- 4.5	Cred Lyon	484	+ 19
Elf	132	- 17.8	Danone	821	+ 23
Eni	198	- 5.5	Geopost	546	+ 36
Eni	768	- 17	Sanofi	10	- 1.7
NEW YORK (\$)			TOKYO (Yen)		
Alcoa	311	+ 24	Tokai	778	+ 15
Boeing	788	+ 14	Yamaha	1140	- 50
Deutsche Bank	482	- 4.5	Yamaha	884	- 30
Elf	132	- 17.8	Yamaha	543	- 38
Eni	198	- 5.5	Yamaha	750	- 57
Eni	768	- 17	Yoshi Kambu	657	- 23

LONDON (Pence)			MTM		
Alcoa			71	+ 5	
Boeing	428	+ 25	Magnum	73	+ 3
Deutsche Bank	154	+ 9	Martini	75	+ 4
Eni	253	+ 9	Whitman	134	+ 16
Eni	450	+ 17			
Eni	72	+ 11	Paula		
Eni	385	+ 23	Sherrill	257	- 43
Goodyear	533	+ 25	Sherrill	80	- 10
Half Day	175	+ 13	Sherrill	118	- 5
Half Day	68	+ 4	Sherrill	111	- 31
Johnson & Johnson	208	+ 9	Sherrill	268	- 17
Johnson & Johnson	78	+ 11	Sherrill	78	- 4
Johnson & Johnson	335	+ 13			
Johnson & Johnson	276	+ 13			

Oil price rise hits refining margins

By Richard Waters in New York

Three big US energy groups produced disappointing second-quarter results yesterday, reflecting lower profit margins from refined products due to the rebound in oil prices in recent weeks.

The higher oil price repaid some of the damage which had been done late in 1993 and early this year to exploration and production profits at Exxon, Mobil and Texaco.

However, this was more than countered by the higher costs faced by their downstream, or refining and marketing, operations, which were unable to put up prices sufficiently to offset the rebound in the price of the commodity.

Two of the three, Mobil and Texaco, were also held back by restructuring costs announced this month.

Exxon, which reported its lowest quarterly after-tax profits since the last quarter of 1989, saw exploration and production earnings fall 11 per cent to \$933m. The company blamed the drop on the fact that oil prices were on average \$3 a barrel lower than the second quarter of 1993, despite the recent run-up.

Before one-off charges, Mobil's

upstream earnings slipped 15 per cent and Texaco's fell 37 per cent, to \$355m and \$155m respectively.

Downstream earnings, meanwhile, showed a reverse of the first three months of the year. At that time, profit margins had swollen as the companies benefited from lower input costs.

In the second quarter, Exxon's refining and marketing profits slid 50 per cent, to \$201m; Texaco's fell 41 per cent, to \$108m; and Mobil's slipped 8 per cent, to \$224m (all figures before one-off items).

Echoing comments from the other companies, Mr Alfred

DeGrane, chairman and chief executive of Texaco, blamed the poor downstream results on rising costs.

"Market conditions precluded recovery of these added costs to the refining and marketing units," he said.

One bright spot for the big US oil companies has been the rebound in profitability at their chemicals businesses in recent quarters. In the latest period, Exxon said profits had jumped to \$110m, from \$50m a year before.

Both sales and profit margins in the chemicals business improved during the latest quarter, and profits have now risen in

four consecutive periods, said Mr Lee Raymond, Exxon chairman.

Mobil recorded earnings of \$38m from chemicals, almost as much as the \$44m it made in the whole of last year. Texaco reached agreement recently to sell its chemicals operations, and accounted for these operations as a discontinued business.

Capital spending at each of the companies fell during the first half of the year, as they put some exploration projects on hold pending a recovery in the oil market. At Exxon, total capital spending fell 10 per cent, to \$3.5bn.

Chart, Page 22

Alan Cane reports on how the US computer maker intends to halt a string of losses

Fingers crossed as Digital gets to grips

They used to call it the "Digital handshake": arms folded, index fingers extended in either direction, indicating that responsibility lay anywhere other than with the individual concerned.

Today the fingers are pointing at the senior management of Digital Equipment, the struggling US computer manufacturer, as it prepares to announce its fourth consecutive set of annual losses, including roughly \$1.6bn of charges to cover 20,000 job losses, cutting 10m sq ft of manufacturing and office space, and asset write-offs.

The Massachusetts company is also preparing to abandon matrix management in favour of a simpler system conferring greater accountability for decisions.

How serious are Digital's problems? Mr Enrico Pesatori, head of the newly constituted computer systems division, underlines the urgency: "The company must return to profitability in the next two quarters. We are not running out of money - we have a strong balance sheet - but if we fail, the confidence of our employees, our shareholders and our customers will sink to a point that will be very serious for us." The fear is that continuing losses and a failure of confidence would pitch the company into a financial death spiral.

Key to the resurrection of the group is the performance of Mr Pesatori's division, essentially the heart of Digital's traditional business. Medium and large computer systems are losing money because the cost of supporting large engineering, manufacturing and sales operations remains out

of line with anticipated revenues.

Mr Pesatori, 53, joined Digital last year from Groupe Bull of France, to revitalise the PC operations. Following the surprise resignation in April this year of Mr Edward Lucente, head of worldwide sales and marketing, Mr Pesatori was promoted to his present position, essentially number two to chief executive Mr Robert Palmer and carrying most of the responsibility for Digital's recovery strategy.

Digital's traditional computer business, a source of strength in the 1980s, is now its biggest headache. Since May, Mr Pesatori and other senior executives have put together a five-point plan to enable the division to break even by the end of this financial year. If it works, he argues, the company will be comfortably in profit through its other activities. His analysis reads like a catalogue of the mistakes Digital has made over the past years:

- First, he says, the division has to focus on key markets: "We have been all over the place in engineering and in the industries we served. We have not focused on our strengths."
- Second, there has to be an emphasis on low-cost, high volume products, the bread and butter of the new computer industry. "Our engineering capabilities have become isolated from the market. We excelled in niche markets, but niche players employ 5,000 people, not 50,000."
- Third, Digital has to restore a credible distribution policy based on a reliable network of dealers, systems integrators and value added resellers (VARs).

The company had an excellent

network in the 1980s, but threw it away because of fears about loss of account control and smaller shares of the gross profits. Now the plan is that only the largest 1,000 customers worldwide will be serviced directly. The remaining 7,000 will be handled by VARs and dealers.

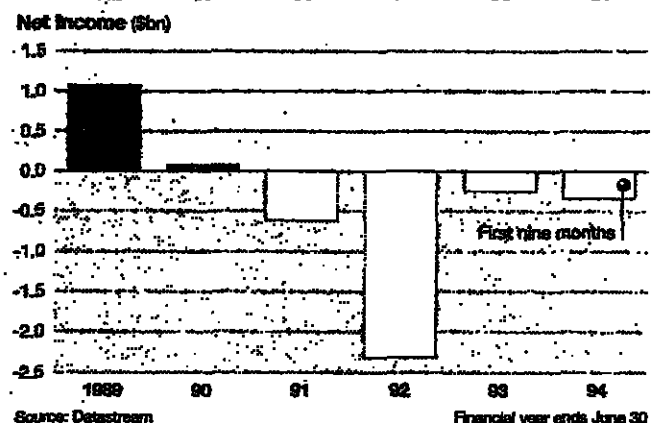
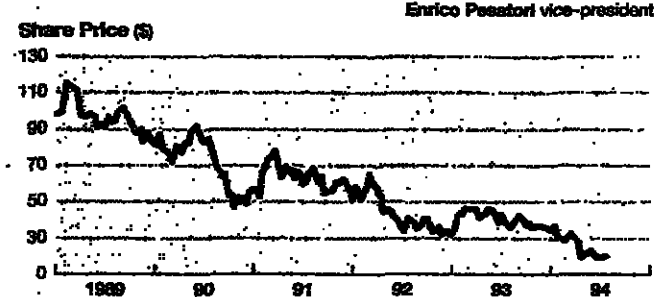
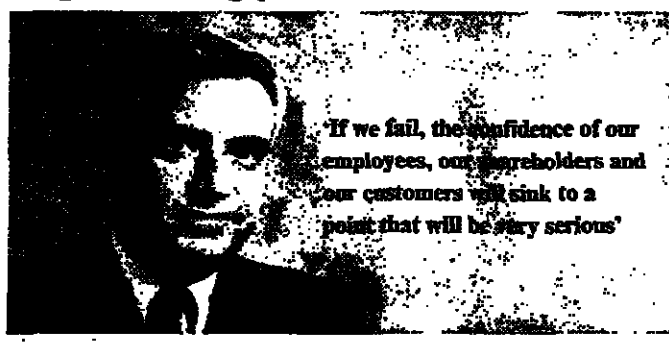
● Fourth, accountability. The new management structure should ensure that executives are responsible for their decisions. Mr Pesatori notes: "We have to open up a complex, layered structure. We have to penetrate robust layers of management that are resistant to change."

● Fifth, profitability. Mr Pesatori believes there is no magic in the business model for the modern computer industry: "You have to have a 40 per cent gross profit margin; general administrative expenses should not be above 22 per cent and research and development should not cost more than 12 per cent of revenues." It is generally acknowledged that its overheads and engineering costs are twice as high as some rivals.

The dilemma for Digital is the decline of revenues from its traditional, proprietary systems while customers ponder moving to newer, lower cost industry standard systems. The company was slow to embrace standard systems, then shot itself in the foot with a penny campaign to persuade customers to move quickly to the newer technology. Mr Pesatori hopes to stabilise the migration, creating a more predictable and manageable loss of revenues from Digital's proprietary hardware.

Nobody discounts the difficulty

Digital: a long period of decline



Source: Datastream. Financial year ends June 30

of the task Digital's management is attempting: "Between here and there is a tremendous implementation problem," admits Mr Pesatori, "but we have contingency plans and our strategy is based on very pessimistic estimates of

our revenues." Digital has been its own worst enemy since its troubles became apparent four years ago; this latest offensive may be its last chance to avoid a spiral of decline.

Norsk Hydro shows strong recovery in second quarter

By Christopher Brown-Humes in Stockholm

The strength of the recovery at Norsk Hydro was highlighted yesterday when the Norwegian energy, fertilisers and metals group unveiled a Nkr1.93bn (\$280m) net profit for the first half following a strong second quarter.

Higher sales volumes, better prices and increased oil and gas production all contributed.

In the first half of 1993, net profits amounted to Nkr2.63bn, but the figure was inflated by a Nkr1.8bn gain on selling a 38.3 per cent stake in Freia Marabou, the chocolate maker.

Hydro, which has just raised Nkr4.7bn through a rights issue, said the result kept it on course for operating profits of Nkr10bn in 1996. First-half operating income rose to Nkr3.52bn from

Nkr2.39bn, as revenues climbed to Nkr35.2bn from Nkr32.2bn. In the second quarter, operating income more than doubled to Nkr1.93bn from Nkr936m as revenues rose to Nkr17.9bn from Nkr15.8bn.

The group's shares gained Nkr8 yesterday before settling to close Nkr1 higher at Nkr261.

All four divisions - oil and gas, light metals, agriculture and petrochemicals - achieved better results in the second quarter. The biggest improvement came from the agriculture division where rising fertiliser prices, better productivity and higher volumes helped lift operating income to Nkr544m from Nkr499m. Poor weather at the start of the year pushed demand into the second quarter.

Oil and gas operating income rose to Nkr900m from Nkr732m as output expanded to 2.9m

tonnes of oil equivalent from 2.2m. Average oil prices at slightly under \$16 per barrel were \$2 lower than a year ago, but the impact was partially cushioned by a higher average dollar exchange rate.

Firmer aluminium prices strengthened the light metals division, pushing up operating income to Nkr405m from Nkr385m. The petrochemicals division saw higher sales and better prices, lifting operating profits to Nkr172m from Nkr82m.

Mr Alan Marshall, analyst at Swiss Bank Corporation in London, said he expected full-year net income of Nkr3.7bn, compared with Nkr3bn last year. "With oil, aluminium and PVC prices continuing to go up, the second half will be fairly strong," he said.

Lex, Page 16; World Stock Markets, Back Page

Lucas dismisses inquiry claims

By Andrew Bolger in London

Lucas Industries, the UK-based engineering group, yesterday dismissed claims that it was under criminal investigation in the US for falsifying inspection of parts for commercial aircraft.

A report in yesterday's Wall Street Journal caused Lucas's shares to fall from 199p to 183p when trading started in London. They recovered to close at 193p.

The Journal said US industry and law enforcement officials had told it Lucas was being investigated over serious quality control lapses involving devices that help move the flaps on Boeing's 767 twin-engine jets.

Lucas said yesterday that through its own investigations, it had discovered a small number

of in-process visual inspections had not been conducted on the trailing-edge flap actuators supplied to Boeing. "However, final inspection and functional tests on computerised test-rigs, which determined the integrity of the products, were fully and successfully completed. After this discovery, Lucas voluntarily informed Boeing and, in accordance with Lucas compliance practice, the US government."

The UK group said it had taken disciplinary action against three employees. It added: "Lucas performed analysis to confirm flight safety of the actuators. These indicated that the parts met all quality requirements and Boeing comments. There were and are no quality problems on these products."

Boeing said: "This appears to us as a process problem, and not a quality problem, that Lucas caught and fixed. We concur with Lucas that these parts meet all quality requirements and believe the product is absolutely safe."

Lucas said it had notified the US Justice Department of the problems at its Lucas Western plant at Park City, Utah, but was not aware of any active investigation by the department.

In May Lucas confirmed it was under investigation by the Pentagon for allegedly supplying gearboxes from the Utah plant that fell below specified standards for the US Navy's F/A-18 fighter aircraft. Lucas said yesterday it had made progress with its corrective action.

US phone groups in cellular venture

By Patrick Harverson in New York and Andrew Adonis in London

AirTouch Communications, the California-based cellular telephone company, and US West, the Baby Bell regional telecommunications group, are to merge their domestic cellular telephone businesses in a joint venture.

The venture will create the third largest provider of cellular phone services in the US. It will have cellular licences in 16 of the top 30 markets and serve more than 1.7m customers.

The deal, which requires the approval of federal regulators, is the latest in a series of alliances within the fast-growing mobile communications business. Analysts see this as part of a restructuring of the US telecoms industry in the face of regulatory upheaval, technological change and the erosion of boundaries between local, long-distance and mobile services.

AirTouch is the former cellular arm of Pacific Telesis, while US West is a Denver-based operator covering 14 mid-western states. While neither companies' international operations will be involved in the joint venture, the two groups will work together to develop non-US business.

In Europe, AirTouch has a stake in Mannesmann Mobilfunk, the second cellular network in Germany, and in the consortium behind Italy's second network.

US West's overseas interests include a half-share in Mercury One-2-One, the third-largest UK cellular operator.

Under the terms of the deal, AirTouch will own 70 per cent of the joint venture and US West 30 per cent, with US West allowed to convert its stake into direct ownership of AirTouch stock subject to certain conditions. For regulatory reasons the two operations will initially be kept separate, with a single entity providing management and support services.

The announcement of the joint venture came on the day the US government began auctioning licences for "narrowband" personal communications services (PCS) such as paging and voice messaging.

AirTouch and US West said yesterday they were also creating a joint venture to pursue opportunities in the PCS business. Time Warner, the US entertainment group eager to move into the telecoms business, is considering participating.



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INTERNATIONAL COMPANIES AND FINANCE

German group to cut links with Castle Energy

By Richard Waters
in New York

Metalgesellschaft, the German industrial group crippled last year by its energy dealings in the US, yesterday revealed it was planning to end its loss-making relationship with Castle Energy, a US refiner.

Long-term oil contracts between Castle, of which the German group owns 40 per cent, and MG Corp, its principal US subsidiary, have continued to sap the group's profits in the months since it organised a financial rescue.

MG Corp is committed to buying Castle's output under contracts stretching into the next century, at prices above normal market levels. The company is believed to have been trying to negotiate changes to the contracts for some months, with no success.

In a filing with the Securities and Exchange Commission yesterday, MG disclosed it was seeking to "terminate and/or modify" its relationship with Castle.

If it is unable to agree a set-

tlement with Castle, then it is likely to remove financial support from the company, virtually all of whose debt is owed to MG. The German group warned it did not intend to extend debt which falls due from Castle on September 30.

Yesterday's news represents an attempt by MG to increase the pressure on Castle in the renegotiations of its contracts with the German group. If these fail MG could face substantial costs, including the write-off of its investment in the company and the loss of much of the debt it is owed.

The contracts between MG and Castle have been the subject of intense investigation this year. "Castle Energy is a money-making machine, and MG Corp is a money-destroying machine," Mr Kajo Neukirchen, Metallgesellschaft's chairman, was reported as saying recently.

"Whoever is responsible for the 76 individual contracts between MG Corp and Castle Energy must have certainly had an ulterior motive," he added.

Renault and Iveco extend co-operation over parts

By John Ridding in Paris

Renault, the French state-owned vehicles group and Iveco, the commercial vehicles subsidiary of Fiat of Italy, yesterday announced that they would co-operate in the manufacture of cabins for light commercial vehicles.

The agreement reflects the strategy of both companies of seeking partnerships in specific product lines and technologies to reduce the cost of vehicle development.

Under the terms of the accord, Renault and Iveco will jointly develop cabs and cab components, with an expected annual production volume of 120,000 units. Renault will receive part of Iveco's stamped welded output in return for technology from the French group.

According to a joint statement, the cabs will be fitted on future Iveco Daily vehicles and on a new Renault light commercial vehicle range. The cabs will be assembled in Iveco's Italian plants in Brescia and Suzzara, and at its Valladolid plant in Spain, while Renault will assemble the cabs at its Batilly site in France.

The co-operation in cabs follows agreements between Renault and Iveco in vehicle components. Iveco currently supplies an annual total of about 40,000 2.5 litre diesel engines, manufactured in Foggia, to power the Renault Safane, Trafic and Master Vehicles.

Renault has played down speculation of a broader alliance with Fiat, following the collapse of its merger plans with Volvo of Sweden.

Fund to buy Portuguese groups in Es24bn deal

By Peter Wise in Lisbon

Espirito Santo Development Capital Investors (ESDCIL), a fund dominated by Mr George Soros, the international financier, is to purchase Portugal's leading packaging company and two Portuguese and French car battery producers in deals worth more than Es24bn (\$147m).

The fund has reached an agreement to buy 100 per cent of Colep, a metal and plastic packaging group with annual sales of Es14bn, for Es20bn-Es25bn. Colep leads the Portuguese market for aerosol and other cans and is also a contract filler and distributor of packaged goods.

Colep is majority owned by Mr Nildo de Pinho, a Portuguese entrepreneur. A US institutional investor holds about 25 per cent. ESDCIL said Mr de Pinho was selling to ensure management continuity after his only son died in a car accident.

About 25 per cent of the cost of the purchase is to be met directly from the Es16.34bn closed-end fund. Investors in the fund will pay the remainder separately. Companies controlled by Mr Soros account for 50 per cent of the ESDCIL fund. The other main investors are Espirito Santo, the Portuguese financial group, and European, Middle Eastern and US institutions.

In a separate deal, ESDCIL is to acquire 48 per cent of Autosil, a Portuguese family-owned car battery maker, by injecting about Es4bn in fresh capital. Autosil will use the funds to purchase 100 per cent of Steco, France's second automotive battery producer and third in sales, for FF100m-FF150m.

Autosil registered sales of Es3.5bn in 1993, accounting for 30 per cent of the Portuguese market. Sales are forecast to rise to Es6bn in 1995 as a result of a contract to supply a new Ford-Volkswagen car plant in Portugal. Steco's 1993 sales were about FF600m.

ESDCIL said Autosil and Colep were both likely to be floated on the Lisbon stock market over the medium term.

Speedy transformation at SGS-Thomson

John Ridding reports on the turnaround at the Franco-Italian semiconductor maker

When SGS Microelectronics of Italy and Thomson Semiconductor of France started discussing a merger in 1986, the two companies had a lot in common. Both of the state-owned enterprises were losing market share, both were in financial difficulties and both were struggling to survive in an increasingly competitive industry, with entrenched US and Japanese market leaders and aggressive pretenders emerging in east Asia.

Eight years on, the transformation has been impressive. The Franco-Italian group has moved into the black, expanded market share, and has moved to within striking distance of the world's 10 biggest semiconductor companies. It is at the head of the field in technologies such as automotive semiconductors, and Eproms, devices which store data without a power supply, and is preparing to take on Intel, the industry giant, in the strategically-important microprocessor market.

The transformation has fed through to the bottom line. Mr Pasquale Pistorio, the Italian chairman of SGS-Thomson who has guided the company back from the brink, predicts a

strong improvement in profits this year. In the first quarter, the group chalked up a net profit of \$90m, half of the result for all of 1993. The second quarter was still better, according to the chairman.

"It is quite a turnaround," says Mr Pistorio. "Many people felt that we were doomed to failure and that Europe could not compete at the top of the world semiconductor industry."

Given the problems of achieving a transnational merger and the struggle faced by many European companies in high technology sectors, the revival appears all the more striking. It raises two related questions: how has the turnaround been achieved and will the restructuring prove a durable basis for continued expansion at SGS-Thomson.

The backing of state shareholders, concerned to maintain a presence in a strategic industry, has certainly helped. Last year, SGS-Thomson received two capital injections of \$200m each, which have helped bring its debt-equity ratio to below 30 per cent and ease the burden of financial charges.

But the recovery has mainly been based on a fundamental reorganisation of the compa-

ny's operations and a strong effort in R&D. "When we started we had sales of \$44,000 per head," says Mr Pistorio, well below the industry average, and about a third of the present level. The result was the closure of five plants in the first year of the merger, three in France, one in Malaysia and one in Singapore.

The common factor behind these first actions was speed. "There were some within the company who thought we should look at a time scale of two years to integrate the companies," says Mr Pistorio. "But I concluded it was best to move as quickly as possible. If you go fast then it is difficult for people to hesitate, and it prevents a long period of confusion for customers."

But in spite of the rapid pace of change, two important factors remained constant - commitment to a global manufacturing and sales presence and the emphasis on R&D and innovation.

"We have never cut one person in R&D and we have increased research spending as a proportion of sales to about 18 per cent," says Mr Pistorio. Efforts were focused on closing

the gap with market leaders in CMOS and VLSI technologies, used in a series of applications from microcontrollers to the compression of electronic signals. SGS-Thomson has also maintained its international operations.

Last year, SGS-Thomson opened a state of the art plant in Crolles in south-eastern France. Another plant in Phoenix, Arizona, is in the installation phase, while one in Catania, Sicily, is under construction.

This new capacity will help push up volumes in the company's more advanced product lines. But, as Mr Pistorio admits, there is still a long way to go. He says the technology and capital requirements of the sector mean that the industry will divide into two broad categories: general, broad range, semiconductor suppliers and small specialist producers. The dividing criteria, he reckons, will be market share, and the crucial level will be about 5 per cent, a few points higher than his company's present share.

To lift the company out of what he describes as "the grey zone", Mr Pistorio is banking partly on sales growth above the market average and on a further shift towards higher

value-added products. April's decision to enter the microprocessor market, with devices to be sold under its own name, also reflects the move towards higher margin products.

In other areas, however, the company's strategy is to develop partnerships. At the Crolles plant, for example, researchers from Philips work alongside counterparts from SGS-Thomson on the development of VLSI products. "It is the only example of European semiconductor companies putting their leading edge research together," says Mr Pistorio.

As for new capital, the chairman finds it hard to disguise his enthusiasm for privatisation. "Our shareholders have been very business-minded," he says. "There is no question, he concludes, that privatisation would make sense, but the 'if, when and how' is up to the shareholders."

With both the French and Italian governments already embarked on ambitious privatisation programmes, and with the prospect of further increases in profits, the privatisation of the company now appears more a question of when and how, than if.

Privatisation in 1996 for Pechiney

By John Ridding

Mr Jean-Pierre Rodier, who is due to take over as chairman of Pechiney later this week, believes that the French state-owned aluminium and packaging company will probably be privatised in 1996.

He also believes that the priority for the company was to return to profit. In 1993, Pechiney suffered a net loss of FF960m (\$150m).

Mr Rodier said that, although 1996 might seem distant, it does not leave much time for the company to prepare itself for sale. In addition to reversing its losses, the company is also at the centre of a proposed, but complex, alliance with Compagnie Nationale du Rhone, the hydro-electricity producer.

Trafalgar House in shake-up

By Simon Davies in London

Trafalgar House, the UK construction, property and shipping group, yesterday announced further restructuring costs for its troubled engineering division, only seven months after it revealed \$397.3m (\$607.1m) of exceptional charges which analysts had described as a "kitchen sink exercise".

The company said the latest costs, which will amount to "at least £15m", are being made to ensure that the engineering division can operate profitably at reduced levels of business.

Trafalgar shares fell 4p to 78p yesterday, their low point for the year, as analysts marked down earnings forecasts by close to one third.

Brokers' forecasts are now suggesting pre-tax profits of around £35m for the year to

September, this compares with a consensus forecast of around \$20m at the start of the year.

A large portion of the restructuring costs are likely to come in the form of more job cuts for the engineering division's 22,000 workers, and a Trafalgar official indicated that the latest redundancies were likely to be in the "hundreds".

In addition, the company is planning to merge some of its operations in continental Europe and the UK, reflecting the weak performance there.

French group proposes merger with Stena arm

By David Lascaille, Resources Editor, in London

Coflexip, the French manufacturer of flexible pipe for the offshore oil industry, has proposed a merger with Stena Offshore, the sub-sea contracting arm of Stena of Sweden. The \$330m transaction will create a sub-sea oilfield products and services group with sales of \$650m.

Coflexip, whose biggest shareholders include Elf Aquitaine, will finance the deal through a combination of securities and \$30m in cash.

Mr Christian Marbach, Coflexip's chairman, said Stena's strengths in offshore contracting made the merger a good match. Coflexip's skill, meanwhile, was in manufacturing and technology.

US ENERGY COMPANIES - SECOND QUARTER NET INCOME (\$m)										
	Total		E&P*		Downstream		Earnings per share		HALF-YEAR TOTAL	
	'94	'93	'94	'93	'94	'93	'94	'93	'94	'93
Exxon	885	1,235	603	781	201	446	0.70	0.98	2,045	2,420
Mobil	198	579	150	465	189	105	0.46	1.41	733	1,089
Texaco	28	309	115	245	44	179	0.35	1.11	317	583
E&P assets and production. Quarterly figures exclude the following after-tax charges, net of non-oil gains: Mobil, \$215m (\$50m) in 1993; Texaco, \$127m (none) in 1992; Exxon, none, \$120m gain in 1992										

Exxon and production. Quarterly figures exclude the following after-tax charges: net of one-off gains: Mobil, \$15m (\$20m in 1993); Texaco, \$127m (none in 1993); Exxon, none (\$210m gain in 1993).

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JOINT CAUTIONARY ANNOUNCEMENT RELATING TO WESTERN AREAS AND SOUTH DEEP

Shareholders are advised that discussions are taking place with a view to combining the mining interests of South Deep and Western Areas so as to create an enlarged mine that could benefit from synergies of joint operation. This would enable shaft sinking and mining of the South Deep orebody to commence earlier than previously anticipated.

It is envisaged that the assets of South Deep, excluding mineral rights and freehold property, will be acquired by Western Areas upon terms and conditions still to be finalised. The successful conclusion of the negotiations would result in Western Areas undertaking the mining operation on behalf of South Deep in exchange for a share of the profits generated by the South Deep orebody.

South Deep would provide the necessary funding to enable Western Areas to mine the orebody and receive the profits (exclusive of the Western Areas' share thereof) associated with the exploitation of this orebody.

Shareholders will be advised in due course of the outcome of discussions and in the event of a merger proceeding, the details of the agreement and the date of the special general meetings. In the meanwhile shareholders of both companies are advised to exercise caution in dealing in their shares.

Johannesburg
26 July 1994.

Sprint joins Iusacell in venture

By Damian Fraser
in Mexico City

Sprint, the US telephone group, is joining up with Grupo Iusacell, a leading Mexican cellular telecommunications company, to provide a long-distance service in Mexico from January 1997.

Iusacell will own at least 51 per cent of the new company, and Sprint at least 33 per cent. Bell Atlantic, the US Baby Bell, last year agreed to take a 42 per cent in Iusacell for \$1.04bn, and will indirectly own a stake in the new venture.

The Iusacell-Sprint joint venture will first apply for regulatory approval to provide long-distance services. The Mexican government has agreed to open up the

long-distance telephone market to competition from 1997, but has not yet issued licences, nor established the requirements potential carriers will have to meet.

However, Iusacell and Sprint expect to be given approval soon.

Last month the ministry of communications and transport agreed in principle not to limit the number of long-distance carriers as part of the first step in opening up the telecommunications sector.

Sprint's venture in Mexico follows a similar move by MCI, the second largest US long-distance carrier, which earlier this year formed a \$1bn alliance with Grupo Financiero Banamex to provide long-distance services from

1997. MCI will invest about \$450m in the new company, taking a 45 per cent stake in it.

Sprint and MCI will be competing against Telefonos de Mexico, the current monopoly provider, in which Southwestern Bell has a minority stake.

Telmex earned about \$4bn from long-distance revenues last year, \$2.5bn from domestic long-distance and \$1.5bn from international. Mr John Cahill, vice-president of Sprint, said Mexico's long-distance market could be worth \$20bn by the end of the decade.

Sprint said the new Mexican company will advance its strategy of creating "a seamless North American network to handle the anticipated demand stemming from the North American Free Trade Agree-

ment". Sprint already offers long-distance services in Canada, in partnership with Call-Net, Canada's largest alternative communications carrier.

Iusacell, which sold 9 per cent of its capital for \$250m in an initial public offering last month, is the non-Telmex cellular company in central Mexico, with more than 150,000 subscribers.

The company is planning to offer a wireless local telephone service in Mexico next year. A spokesman said Iusacell expected to be granted the necessary regulatory approval in the next few weeks, and would begin test trials later this year.

The local service would enable Iusacell to offer integrated local and long-distance telephone services from 1997.

Inco loss widens as deliveries decline

By Bernard Simon in Toronto

Inco, the western world's biggest nickel producer, has suffered deeper second-quarter losses. It blamed a dip in prices and lower deliveries of nickel and platinum-group metals.

The loss widened to US\$7.6m, or 7 cents a share, from US\$2.2m, or 3 cents, a year earlier. First-half losses grew to US\$67.6m, or 60 cents a share, from US\$24.8m, or 25 cents, largely reflecting one-time restructuring charges.

Second-quarter net sales dipped to US\$590m from US\$604m. Operating earnings halved to US\$22m.

The average nickel price realised in the second quarter was US\$2.52 per pound, down from US\$2.93 a year earlier, but above the US\$2.77 realised in the first three months of 1994.

Inco's performance has been hit this year by lower deliveries of company-produced nickel and platinum-group metals. The fall was blamed on production shutdowns and the accumulation of nickel inventory ahead of summer holiday shutdowns in Canada.

Deliveries of purchased nickel, on which little or no profit is realised, have, as a consequence, been higher than normal.

These adverse factors were partly offset by higher cobalt and copper prices, and a slight improvement in operating results from the alloys and engineered products business.

Finished nickel inventories totalled 75m lbs on June 30, up from 51m lbs on March 31 and 72m lbs last December.

Siemens slips to DM1.2bn despite improved demand

By Christopher Parkes
in Frankfurt

Foreign demand is continuing to fuel growth at Siemens, and there are signs that domestic orders are also improving, the German electrical and electronics group said yesterday.

Total order intake in the nine months to the end of June increased 8 per cent to DM65bn (\$41.8bn). Turnover rose 3 per cent to DM57.7bn, but net profit fell 6 per cent to DM1.25bn, according to an interim report.

The deterioration in earnings, following an unchanged result after six months, was forewarned recently by Mr Heinrich von Pierer, group chairman, who said prices in some sectors had fallen 10 per cent or more. Investment income is also suffering in turbulent capital markets.

The export order book was up 18 per cent at DM39.4bn, while domestic demand fell 5 per cent to DM25.3bn, after

being 6 per cent down at the halfway mark, the report said.

Siemens-Nixdorf (SN), the troubled computer subsidiary, also benefited from a strong order flow in the third quarter. After a 6 per cent fall in the first six months of the current year, SN's order book was down only 2 per cent at the end of the quarter. Sales were 4 per cent lower at DM8bn.

The semiconductor division, recently reported to be in profit for the first time in a decade, lifted sales and order bookings by 47 per cent and 37 per cent respectively in the review period.

However, public telecommunications orders were 4 per cent lower, and turnover was down 9 per cent. Traditionally the group's biggest source of turnover, the sector is still showing the effects of reduced German public sector spending.

Power plant, the second-most important division, received a

boost in the third quarter from orders from Taiwan and the UK. At the end of the review period, orders were 25 per cent higher than a year earlier, although turnover was 8 per cent lower.

Yesterday's report gave no full-year forecasts, although group executives recently repeated earlier predictions of a 10-15 per cent drop in operating earnings for the full year, attributable to a weaker result from financial operations.

Net income, bolstered by the sale of Siemens' pacemaker operations to a US concern, is expected to fall slightly short of last year's DM1.98bn.

This year's planned payroll reduction of 20,000 jobs is proceeding according to plan. After adjustments for the first-time consolidation of the Sylvania lighting business in the US, numbers employed fell 6,000 in the third quarter. Some 4,000 of these job cuts were in Germany.

Solid growth at Capital Cities

By Patrick Harverson
in New York

Capital Cities/ABC, the US entertainment group, yesterday reported a 25 per cent increase in second-quarter profits and record earnings per share. It was boosted by another strong performance from its network, cable and international television businesses.

In the quarter, Capital Cities earned \$188.5m on net revenues of \$1.54bn, up from \$151.9m on revenues of \$1.44bn a year earlier.

Earnings per share of \$1.23, up from 92 cents a share, represented a record for the company. However, it was achieved in the wake of stock repurchases by Capital Cities which reduced the number of shares outstanding by almost 11m to 154m.

The strong second quarter took the company's first-half profits to \$306.6m, compared with \$222.4m in 1993 (which excludes a \$12.1m charge to cover early debt redemption).

The company's flagship ABC television network had another good quarter. It benefited from increased advertiser demand and improved cost comparisons, which offset the absence of earnings from the lucrative

Academy Awards show, which this year was broadcast in the first quarter. In the 1993 fiscal year, it went on air in the second quarter.

The company reported significant growth in its radio business and cable and international group operations, which include its rapidly-growing ESPN all-sports cable channel.

Earnings from publishing interests were also higher, attributable to gains in newspapers and specialised publications.

The second-quarter results pleased investors, who bid the stock up \$1.14 to \$79.75 on the New York Stock Exchange.

Second term earnings up strongly at Goodyear

By Frank McGurty in New York

Goodyear, the US tyre group, lifted net earnings in the second quarter by more than 18 per cent to \$163.2m, or \$1.08 a share.

The result represents a solid improvement on the corresponding period of 1993, when the company posted a profit of \$137.5m, or 95 cents a share, excluding a charge of \$14.6m for the early retirement of debt.

The company sustained its earnings momentum despite the continued sluggishness of the world economy, as reflected in its nearly static top line. In the second three months of the year, revenues inched ahead to \$3.05bn, up from \$3bn in the year-earlier quarter.

Unit sales of tyres climbed 3 per cent, compared with a 12 per cent growth rate in the first quarter of 1994.

Sales to unaffiliated customers in Europe, the company's second biggest market outside the US, declined almost 4 per cent to \$561.5m. Conditions in Turkey were cited as particularly difficult. The downturn was partly offset by modest gains in North America, Latin America and Asia.

Revenues in the US, up 1.6 per cent, grew at a more moderate rate than in the first quarter, when North American motor vehicle output had expanded at an exceptional rapid pace. In Asia, sales surged 15.8 per cent as new production capacity came on stream in Thailand.

Yesterday, Goodyear's stock was trading at \$36.54, down \$4 on the session.

For the six months to June 30, net income reached \$279.2m, or \$1.85 a share, on revenues of \$5.96bn. The figures compare with profits of \$138.4m, or 96 cents, on revenues of \$5.81bn in the first half of 1993.

UK sales lift American Brands

By Richard Waters
in New York

A sharp rise in cigarette sales in the UK supported earnings at American Brands, the US consumer products group, in the second quarter of the year.

The rise was largely due to timing factors, as the company's Gallagher subsidiary maintained its claimed market share in the UK at 40 per cent.

Meanwhile, earnings from US cigarette sales, though continuing a partial recovery from the effects of the price war begun last summer, were 28 per cent lower than a year ago.

The company recently reached agreement to sell its American Tobacco subsidiary to BAT Industries for \$1bn.

The increase in volumes in the UK of 44 per cent was due to "distortions caused by a change last year in the timing of the UK government's budget," said Mr William Alley, chairman and chief executive.

Operating income from non-US tobacco sales more than doubled, to \$94m, on sales up 40 per cent to \$1.2bn.

American Tobacco, meanwhile, saw operating income slide to \$70m, on sales of \$406m (\$419m a year ago). Its volume gains of 15 per cent in the

quarter were slightly ahead of the industry average, resulting in an increase in market share, the company said.

The volume growth was led by low-price brands, which rose 20 per cent, while premium brands rose only 8 per cent.

With the benefit of a lower tax rate, down to 31.3 per cent from 36 per cent a year ago, American Brands reported overall net income of \$164m, or 81 cents a share, up from \$151m, or 75 cents, a year ago.

Half-year net income fell to \$131m from \$398m (before accounting changes) in the first six months of 1993.

Nortel strengthens Matra ties

By Bernard Simon in Toronto
and David Buchan in Paris

Northern Telecom, the Canadian telecommunications equipment maker, is cementing a two-year alliance with France's Matra Communications by raising its stake in the group, from 20 to 50 per cent.

During the next year or so, Northern will invest about US\$140m in Matra, and convert an existing US\$150m exchangeable debenture into equity.

These commitments will raise Northern's total investment to about US\$430m.

France's Lagardere media and industrial group, formerly Matra-Hachette, owns the remaining shares in Matra.

The focal point of Northern's interest is Matra's cellular business, which is based on the European GSM standard. Nortel-Matra Cellular, a joint venture, recently won a US\$100m contract in Taiwan, in what is believed to be one of the largest deals so far for GSM equipment. Part of Northern Telecom's capital injection will reinforce the capital of the two

groups in this venture.

The venture has recently won contracts in Tunisia and from Mercury in the UK, and plans to use the new cash to recruit an extra 150 engineers for its French-based research centre.

Matra also has a 20 per cent share of the French private branch exchange (PBX) market, and has given Northern a window to several other parts of the European telecoms business. "We're now seeing some fruits of the alliance," a Northern official said.

ED&F Man to buy out fund group

By Antonio Sharpe

ED&F Man, the international commodity trading and financial services group which plans a UK stock market flotation in September, intends to buy the outstanding shares in AHL, a specialist fund manager which uses quantitative techniques to trade futures and currencies.

Mr Stanley Fink, Man's finance director, said yesterday the value of the outstanding shares in AHL would be determined by Man's forthcoming flotation, since it was proposed

ing a share-for-share exchange. The flotation is expected to value Man at about \$450m (\$397m).

"The exchange of the minority interest in AHL for shares in Man will enable Michael Adam, David Harding and Martin Lueck, who currently own shares in AHL, to participate in the flotation," said Mr Fink.

Although AHL's price/earnings ratio is likely to be lower than Man's, Mr Fink said Man would be paying close to 20 times more than it paid for its original stake in AHL, to

reflect the growth in the business.

When Man bought a 51 per cent stake in the trading adviser in 1989, AHL only had about \$30m under management. Man has since built up its holding in AHL, which now has around \$300m under management, to around two thirds.

AHL is one of the leading fund managers in its sector, and claims that its mathematically-based trading strategies have produced annual returns over the last 10 years of 20 per cent after costs.

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Bankers Trust Company, London, Agent Bank

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(Sparbankernas Bank)

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By: The Chase Manhattan Bank, N.A.
London, Agent Bank
July 26, 1994

JPY 15,000,000,000

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FINANCE B.V.

Floating Rate

Guaranteed Notes

due 1996

Interest Rate 2.35% p.a.
Interest Period July 25, 1994
January 25, 1995

Interest Amount due on
January 25, 1995 per
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US \$500,000,000

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Rate Notes 1996

Notice is hereby given that the rate of interest for the period 22nd July 1994 to 24th October 1994 has been fixed at 4.6875 per cent. Interest will amount to US \$122.40 per US \$100,000 Note, US \$1,223.96 per US \$100,000 Note and US \$12,239.58 per US \$1,000,000 Note, and will be payable on 24th October 1994 against Coupon No. 2.

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July 1994

INTERNATIONAL COMPANIES AND FINANCE

France Télécom expected to seek industrial links

By John Hidding
in Paris

A report by France Télécom, the French state-owned telecoms operator, is expected to recommend the company's legal status be reformed to enable the opening of its share capital to industrial partners.

The report, by Mr Marcel Roulet, France Télécom's chairman, is due to be presented to Mr Gérard Longuet, the industry, telecommunications and foreign trade minister, by the end of the week.

France Télécom declined to comment on details of the report, but it is thought to support a government proposal to transform the operator into a joint stock company, with its own capital, from its existing status as an "autonomous operator under public law".

The change would allow France Télécom to exchange equity stakes with industrial partners and enable the French government to reduce its holding in the operator.

The state, however, would be expected to retain majority control.

Mr Longuet proposed last year that France Télécom's legal status be reformed, partly

to allow it to forge strategic alliances with other telecoms companies and to prepare for the liberalisation of the European telecoms market, which is due in 1998.

Resistance to the moves by employees at France Télécom - who feared the reform would lead to privatisation, job cuts and the end of their semi-civil servant status - prompted the postponement of the reform.

Mr Roulet has since conducted company-wide discussions to reassure the operator's 154,000 staff.

Opening France Télécom's capital would allow the operator to cement its industrial alliance with Deutsche Telekom. The alliance, which focuses on services for large multinational business clients, was extended earlier this year through a separate link with Sprint of the US.

The report also discusses the group's financial strategy. France Télécom is pursuing a policy of debt reduction in an attempt to ease financial charges and to free resources for expansion.

At the end of last year, total group borrowings were reduced to FF105.6bn (\$19.4bn), compared with FF111.6bn at the end of 1992.

Thais shell out for shrimp venture

Steven Chia hopes to supply chitin products, writes Victor Mallet

Mr Steven Chia is euphoric about his latest shrimp venture. "Chitin," he said at his office in Bangkok, "looks like a miracle product".

Extracted from the shells of shrimps and crabs, chitin is a cellulose-like substance with diverse applications; its derivatives can be made into surgical stitching thread that dissolves harmlessly in the flesh, or used to separate heavy metals in water treatment plants, or sprayed on to fruit to prevent moisture loss.

The potential worldwide demand for chitin products is estimated at more than \$1bn a year, but supply has been limited by difficulties in extracting materials of the right quality and in sufficient quantities.

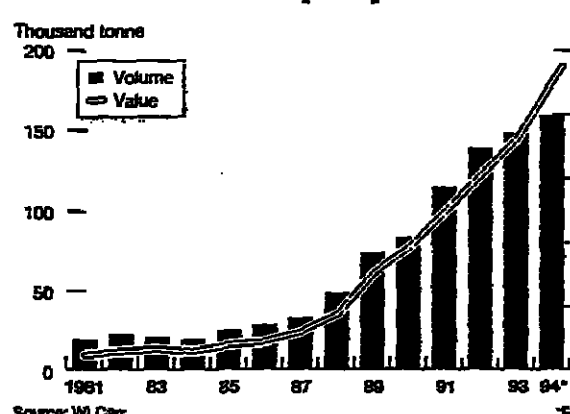
Mr Chia, managing director of Seafresh Industry (Thailand), one of the main Thai shrimp exporters listed on the Thai stock exchange, sees this unsatisfied demand as a chance to make money.

Seafresh, with plenty of shrimp shells at its disposal, has established a \$1m joint venture with Kiosan Laboratories of Malaysia to produce about 100 tonnes of chitin a year; a typical price is \$60 per kg (although some grades command much higher premiums) and in the first year alone Mr Chia is counting on net profits of \$2m from the venture.

Whether it turns out to be miraculous or not, the Seafresh chitin investment underlines the determination of Thai shrimp processing companies to add value to their output as exports continue to grow.

This year Thai frozen shrimp exports are expected to rise by 10 per cent to some 180,000 tonnes, valued at about \$2bn. Shrimp is one of Thailand's

Thai frozen shrimp exports



Source: WI Car

biggest exports after textiles and computer parts. Japan and the US are the main buyers.

Thailand, the world's biggest shrimp exporter, has seen dollar prices boosted by the strength of the yen and by a fall in Chinese production after outbreaks of disease in Chinese shrimp farms.

Thai seafood companies and their shareholders are reaping the rewards. "Foreign institutional investors tend to be a bit dubious about agribusiness stocks because they are prone to cycles and earnings in the past have been disappointing," said one Bangkok-based stockbroker. "It's only since late last year that we've seen a pick-up in sales and that's now feeding through into margins."

But the volatility of shrimp prices still preoccupies Thai exporters, especially when they face possible competition from new aquaculture ventures in countries such as India and Vietnam.

Hence the urge to process the shrimp in Thailand: the prices of downstream products for the retail market are not

only higher but more stable than those of basic frozen shrimp, and Thailand believes its skilled labour for processing gives it a competitive advantage over new entrants to the market.

Methods of adding value range from boiling the shrimp to producing frozen sushi for Japan. Seafresh, for example, adds value to more than half its output, producing breaded shrimp for tempura and making spring rolls; recently it began selling shrimp fried rice to South Korea.

Charoen Pokphand Feedmill, part of the multinational CP group, makes most of its money from shrimp feed, but also has a subsidiary exporting fried shrimps in batter and skewered shrimps in barbecue sauce.

Surapon Seafoods, another seafood exporter, is switching some of its production from unprocessed frozen shrimp to pre-cooked meals - including meat and vegetables - for Japanese convenience stores. Other companies are following the same road.

The most likely obstacle to the Thai shrimp industry's continued expansion is the carrying capacity of the country's environment. Shrimp farms are notoriously destructive - they usually replace the mangrove swamps where fish breed - and prone to disease. They tend to be poisoned by their own effluent and fail after a few years, as happened in Taiwan.

"A cynic would say it's getting near the end of the road for Thailand as far as the shrimp industry goes," said a stockbroker, who asked not to be named. "They need new territory, long coastlines, clean water and preferably places that are poor where they don't have very strong environmental roles."

The CP group has already announced plans to invest an additional \$100m in the shrimp and shrimpfed business in India, and is also looking at the possibility of investing in other countries such as Bangladesh and Vietnam.

For the time being, however, the industry in Thailand is managing to stave off disease and devise ever more sophisticated ways of packaging and marketing its shrimp products.

Seafresh's project to make chitin and chitosan - chitin's main derivative - is just the latest example of how Thai companies are making the most of their shrimp.

Mr Chia says the new plant, to be operational in six months, will be able to produce a range of grades demanded by buyers for everything from cosmetics to loud speaker diaphragms (another application). "We can tailor-make the product the buyers need," he says.

Coal & Allied feels effects of lower prices

By Nikkai Tait in Sydney

Operating profit after tax, but before abnormal gains, stood at \$114.3m, compared with \$37.3m, while abnormal gains amounted to a \$88.4m loss, resulting from the restructuring of the open-cut mines. In the previous year, there was an abnormal gain of \$33.4m. The company said total production in the six-month

period was 5.1m tonnes, down from 5.7m tonnes a year earlier, although part of the reduction was due to the sale of certain operations. Reduced coal contract prices and the stronger Australian dollar meant that sales for the half-year fell from \$334.5m to \$283.4m.

Coal & Allied said the still-lower coal prices negotiated

with leading Japanese buyers earlier this year and the stronger currency would mean that profits remained under pressure in the short-term. However, "increased demand coupled with low stockpiles is expected to increase prices in the next 12 months", it said.

The dividend was cut to 25 cents a share from 44 cents.

Seangyong Cement said its wholly-owned subsidiary, Vermiculite Industries, had signed a joint venture to manufacture and market lightweight concrete products, AP-DJ reports from Singapore. The joint-venture company, Aeracon Technologies, will be 70 per cent held by VIS and 30 per cent by its partner, Aeracon Manufacturing.

Under the agreement, VIS will pay \$350,000 (US\$230,000) for its additional 349,999 new shares in Aeracon Technologies. AM, meanwhile, will subscribe for another 149,999 new shares in the joint-venture company.

VIS's investment will be financed using internal cash resources, the cement maker said.

NEWS DIGEST

Profits at Taiwan Cement fall by 29%

Taiwan Cement saw first-half pre-tax profits drop 29 per cent to NT\$1.77bn (US\$66m) compared with a year ago, due to a continued slump in the construction industry and a sharp fall in non-operating income, writes Laura Tyson in Taipei. Sales in the year to June 30 were down 5.8 per cent to NT\$9.17bn from the same period in 1993.

Analysts attributed the decline to increased cement imports and slack demand, partly due to delays in public infrastructure construction projects. A supply glut in the domestic market has pushed unit prices down.

After the shutdown next month of a large Kaohsiung plant for environmental reasons, Taiwan Cement will fall to second place behind Asia Cement in terms of production capacity, analysts said.

Gencor plans announcement

Gencor, the South African mining house which is bidding for parts of the metal and mining business of Royal Dutch/Shell's Billiton group, said it would make an announcement today on future prospects. Reuter reports from Johannesburg. Confirmation that it would release the outcome of the bid could not be obtained, but analysts said the subject of the announcement, to take the form of a presentation, would likely be Billiton.

Analysts expect a deal, central to Gencor's foreign expansion ambitions, to cost it at least \$1bn. The presentation is scheduled for this afternoon.

Kalamazoo chief to sell shares

Kalamazoo Holdings' chairman and biggest shareholder, Mr Fred Street, said he planned to sell his 40.2 per cent stake in the Australian office supplies group to Avator Industries, a Perth-based investment group, which has bid A\$2.05 a share for the company, Reuter reports from Sydney.

Although Kalamazoo directors described Avator's A\$103m (US\$79m) bid as neither fair nor reasonable, Mr Street said he intended to accept the offer in the interests of his family and related parties.

On the Australian stock exchange yesterday, Kalamazoo shares closed at A\$2.10, down 10 cents, and Avator's were unchanged at A\$1.14.

Kalamazoo, which said its adviser, Coopers & Lybrand (Securities), valued its shares at between A\$2.43 and A\$2.66 each, was advising shareholders not to accept the offer.

Mitsui expands into Indonesia

Mitsui OSK Lines, a leading Japanese shipping company, is to create a subsidiary in Jakarta, Indonesia, to conduct marine transportation business, AP-DJ reports from Tokyo. The new company, PT OSK Lines Indonesia, will be 60 per cent owned by Mitsui OSK, with Mitsui's existing agent Gesuri Lloyd PT owning the remainder.

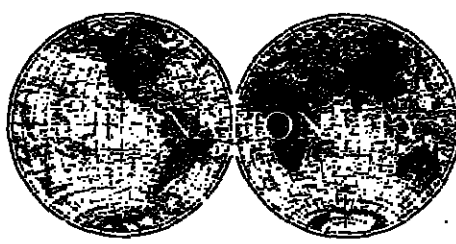
Concrete venture for Vermiculite

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0200	9.20	12.11	14.82
0300	9.20	12.11	14.82
0400	9.20	12.11	14.82
0500	9.20	12.11	14.82
0600	9.20	12.11	14.82
0700	13.20	16.48	19.40
0800	13.20	16.48	19.40
0900	13.20	16.48	19.40
1000	13.20	16.48	19.40
1100	13.20	16.48	19.40
1200	13.20	16.48	19.40
1300	13.20	16.48	19.40
1400	13.20	16.48	19.40
1500	13.20	16.48	19.40
1600	13.20	16.48	19.40
1700	13.20	16.48	19.40
1800	13.20	16.48	19.40
1900	13.20	16.48	19.40
2000	13.20	16.48	19.40
2100	13.20	16.48	19.40
2200	13.20	16.48	19.40
2300	13.20	16.48	19.40
2400	13.20	16.48	19.40

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INTERNATIONAL CAPITAL MARKETS

Longer-dated US Treasuries gain ground

By Frank McGurty in New York
and Conner Middelmann
in London

Longer-dated US Treasury bonds gained ground in their trading yesterday morning, although most traders were staying on the sidelines ahead of this week's supply auctions.

By midday, the benchmark 30-year government bond was 1/4 better at 94 1/2, with the yield slipping to 7.54 per cent. At the short end, the two-year note was unchanged at 99 1/2, to yield 6.101 per cent.

The lack of movement on prices for shorter-dated paper reflected the approach of the Treasury's sale of \$17,250m in two-year notes this afternoon, followed by \$11bn in five-year securities tomorrow.

The auctions come at a time of renewed uncertainty over the timing of the Federal Reserve's next move to lift short-term interest rates.

Yesterday's economic news was not compelling enough to dispel the listless mood. The National Association of Realtors said sales of existing single-family homes fell 3.5 per cent last month, a weaker reading than economists had forecast. The data added to recent evidence that the housing sector had begun to cool.

European bonds ended a trendless session firmer, supported partly by the stronger tone in US Treasuries. But volume continued to decline and investor activity dried to a trickle.

UK gilts ended the day slightly firmer and are expected to track neighbouring markets until tomorrow's auction of 6.25 per cent gilts due 2010.

Mr Andrew Roberts, gilts analyst at UBS, expects the auction to go well for several reasons. For one, he cites demand for long-dated paper by UK investors. Moreover, although the Bank of England will auction a nominal £2bn of gilts, he points out that only £1.6bn in market terms is being issued as the paper trades at a deep discount to its nominal value; in late trading, the bonds were quoted at 82 1/2.

Furthermore, Mr Roberts argues, "the new paper will be perfectly placed to become a new 15-year benchmark." Since the 8 per cent gilt due 2009 will drop out of the over 15-year bond index in September, the new bond will be left as the shortest bond in the index.

French bonds put on a strong performance, rising by nearly a point in largely technical, futures-led trading.

Traders said a large buy order of the September national bond future on Matif, executed by a leading futures broker in Paris, and US buying pushed prices through key technical resistance.

The contract rose by 0.86 points on the day to 117.62, the 10-year yield spread over bonds

narrowed by about 7 basis points to 41 basis points.

Buyback French bonds supported German bonds, which ended the day about half a point higher. Trading was technical and the market largely shrugged off regional inflation data and news that the Treuhandanstalt privatisation agency plans to issue more bonds this year than forecast.

The September bond future on Life rose 0.47 point to 94.03.

Italian market sentiment was shaken by renewed political concerns, but prices were pulled higher by neighbouring markets and late short-covering in the futures markets. The Italian BTP future on Life rose by around 0.51 points to 104.03.

US metals group in silver-linked share issue

By Conner Middelmann

Freeport-McMoRan has raised \$100m through a silver-linked depositary share offering totalling 4.75m units.

The shares were priced last Friday at \$21.01, roughly four times the London fixing price for one ounce of silver. That day, the London price was \$25.25 per ounce. Dividends on the silver-denominated preferred shares, payable quarterly, have been set at 4.125 per cent per depositary share.

The shares, which have a 12-year maturity, are listed on the New York Stock Exchange.

Freeport, a US-based metals and diversified company, has previously issued two gold-linked depositary shares, but this was the first silver-linked deal ever launched.

According to a syndicate of lead managers Lehman Brothers, the issue was oversubscribed, boosted by expectations of rising silver prices.

"The deal was driven primarily by dedicated natural resources and commodity funds, but also met with good interest from retail investors," said Mr Bank Erbe, syndicate manager at Lehman Brothers, adding that some 75 per cent of the deal was bought by US-based investors.

"The structure combines the attractiveness of silver with the liquidity of a New York Stock Exchange listing," said Mr Erbe. "In addition, the shares carry a very competitive dividend yield."

Although the price of silver has recently been in decline, commodities analysts expect it to rebound towards \$6 per ounce in coming months. At its height in the 1980s it traded at around \$50.

CBoT may form link with Sydney

By Laurie Morse in Chicago

The Chicago Board of Trade and the Sydney Futures Exchange are studying the technical feasibility of joining their after-hours trading systems. The move could be the first step towards a new global futures alliance.

The announcement comes a week after the CBoT and the London International Financial Futures and Options Exchange agreed to a similar study to find an alternative to Globex, the electronic trading system developed by Reuters.

By linking with the Australian exchange, the CBoT would gain a clear foothold for its after hours system - known as Project A - in the Asian time zone. Any link would be at least a 12 months in development, the exchanges said.

The after-hours trading strength of the Sydney Futures Exchange lies in its government bond futures and options contracts. Globex, which currently consists of an alliance between the Chicago Mercan-

tile Exchange (CME), the Matif of France and the DTF of Germany, specialises chiefly in short-term interest rate and foreign currency contracts.

The CME has a mutual offset link with Singapore International Monetary Exchange, but Globex itself lacks an exchange partner in the Asian region.

The Sydney-Chicago exploratory study is widely seen as another indication that the concept of linking existing proprietary trading systems is more appealing than the co-management of a single system, which is the way Globex is structured.

Under the broad outlines of the CBoT-Life plan, the CBoT would retain its existing trading technology as well as control of trading and clearing functions for its own contracts.

The growing number of strategic alliances between futures exchanges has raised the stakes for futures exchanges around the world. However, both Life and the CBoT have a number of failed trading agreements behind them.

Dutch bank launches benchmark DM deal

By Graham Bowley and
Antonia Sharpe

BNG, the Dutch municipal finance bank, yesterday pushed on with its strategy of establishing benchmark issues in non-guilder currencies with the launch of a DM750m offering of five-year eurobonds.

Last week, the bank launched a \$1bn five-year euro-bond offering, its first benchmark.

CS First Boston has been mandated to lead-manage the triple-A rated issue, which could be the first in a series. The company is planning to file a shelf with the Securities and Exchange Commission (SEC) which could cover several years of issuance.

Fixed-rate funding currently accounts for 86 per cent of the company's borrowing. "In the

European retail investors, the deal was too large given current demand. They added that institutional investors were unwilling to buy D-Mark bonds ahead of tomorrow's auction of five-year bonds by Treuhand, the German privatisation agency.

Seafar, Roebuck, the US retailing and insurance group, is planning to launch a global, asset-backed issue of around \$1bn in the next month. The securitised offering will be backed by the company's credit card receivables, worth \$20.4bn.

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NEW INTERNATIONAL BOND ISSUES

Issuer	Amount	Coupon	Price	Maturity	Yield	Spread	Book runner
Banque Paribas	200	6.75	98.725	Aug 1998	0.108	-	Swiss Bank Corp.
BNP, London Branch	100	6.75	100.000	Aug 2001	0.250	-	Swiss Bank Corp.
YEN							
Bayreuther Landesbank	300m	3.30	100.125	Aug 1997	0.1875	-	Deutsche Bank
Karlsruhe Heavy Ind. (HIF)	200m	3.15	100.125	Sep 1998	2.50	-	Nomura International
SABF	120m	3.15	100.125	Feb 1997	0.125	-	Nomura International
D-MARKS							
Banque Paribas	750	6.50	98.275	Aug 1998	0.250	+27 (86/94-95) SBC	Paribas
CANADIAN DOLLARS							
Canadian Global Funding Corp.	150	10.00	98.200	Aug 2004	0.375	+70 (86/94-04) Hambros Bank	Hambros Bank
ITALIAN LIRE							
San Paolo, Messico Branch	100bn	10.40	97.50	Jun 2004	undfcd.	-	San Paolo, Turin
AUSTRALIAN DOLLARS							
ABN Amro Australia	75	6.50	101.65	Sep 1998	2.00	-	ABN Amro Bank
SWISS FRANKS							
Toyota Motor Credit Corp. (TMC)	500	6.125	101.50	Aug 1998	-	-	Merrill Lynch Cap.Mkts.
SBC Finance Company (SBC)	100	5.375	102.75	Jul 1998	-	-	Swiss Bank Corp.

First terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. +Private placement. *Unlisted. *Floating rate notes. *Semi-annual coupon. R: Bond re-offer price; see notes shown at the re-offer level. a: Callable on coupon dates from Aug 87 at par. b: 3-mth Libor +30bp. c: Callable and puttable in Aug 98 at par. d: 3-mth Libor +1.5%. e: Floating 2/28ARM. Indicated coupon 250%. Callable from 100% to 150% rate. f: Short first coupon. g: Floating with 1200bp. Plus 45 days accrued. Issuer may convert on 30/6/99 into FRN paying 5-mth Libor +50bp. h: Floating with 5000bp. Plus 47 days accrued.

next year or so this will be closer to 75 per cent," said Ms Alice Peterson, company treasurer. This would be a comfortable mix given the current capital market environment.

Bayerische Landesbank launched a \$300m three-year bond issue yesterday amid

rumours that the European Investment Bank may tap the eurozone market soon.

Syndicate managers expect a \$500m to \$1000m three-year issue from the EIB, to come either today or after this week's auction of 10-year Japanese government bonds.

Moody's has downgraded the long and short-term ratings of Crédit Lyonnais, the troubled French bank, to A3 and P2 respectively from A1 and P1.

Both ratings have been on review for possible downgrade since February. Around \$13m of long-term debt is affected.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Rate	Price	Yield	Week ago	Month ago
Australia	9.000	09/04	98.2100	-0.310	9.58	8.33
Belgium	7.250	04/04	95.9400	-0.020	7.87	7.97
Canada	6.500	08/04	92.7000	-0.300	8.21	8.53
Denmark	7.000	12/04	93.7200	-0.420	7.80	8.12
France	8.000	05/08	104.0200	-	8.57	8.58
Germany	5.500	04/04	98.4600	-0.850	7.18	7.25
Italy	6.750	05/04	98.0000	-0.540	6.74	7.12
Japan	4.800	06/09	104.7400	-0.040	3.68	3.63
Netherlands	6.750	05/04	98.4600	-0.850	7.18	7.25
Spain	8.000	05/04	98.4600	-0.850	7.18	7.25
UK Gilts	6.000	08/08	92.2500	-0.250	7.94	7.78
US Treasury	7.250	05/04	99.3000	-0.020	7.25	7.25
US (French Govt)	6.000	04/04	98.1100	-1.020	7.82	7.78

US INTEREST RATES

	One month	Three month	Six month	One year	Two year	Three year	Five year	Seven year	Ten year	Thirty year
Prime rate	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4
90-day T-bill	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
2-year T-bill	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
3-month T-bill	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
6-month T-bill	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
1-year T-bill	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
2-year T-note	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
3-year T-note	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
5-year T-note	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
7-year T-note	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
10-year T-note	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4
30-year T-bond	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4	6 1/4

BOND FUTURES AND OPTIONS

France

NATIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.
Sep	116.52	117.52	-0.06	-0.06	117.78	116.54	130,492	117,845
Dec	116.58	117.78	-0.06	-0.06	118.14	116.54	737	14,116
Mar	114.98	116.08	-0.06	-0.06	114.98	114.94	52	2,553

LONG TERM FRENCH BOND OPTIONS (MATIF)

	Strike	Aug	Sep	Dec	Aug	Sep	Dec
115	1.68	2.07	-	-	0.03	0.53	-
116	1.68	2.07	-	-	0.04	0.77	-
117	1.68	2.07	-	-	0.19	1.00	2.50
118	1.68	2.07	-	-	1.44	-	-
119	1.68	2.07	-	-	2.00	-	-

Est. vol. total, Calls 25,995 Puts 3,558. Previous day's open Int., Calls 377,048 Puts 389,380.

Germany

NATIONAL GERMAN BOND FUTURES (LIFFE) DM250,000 100ths of 100%

	Open	Sett	Price	Change	High	Low	Est. vol.	Open Int.
Sep	93.54	93.64	-0.08	-0.08	94.05	93.20	110,319	16,774
Dec	92.06	93.30	-0.41	-0.41	93.20	92.06	523	1,951

LONG TERM GERMAN BOND OPTIONS (LIFFE) DM250,000 100ths of 100%

	Strike	Sep	Oct	Nov	Dec	Sep	Oct	Nov	Dec
9400	1.12	1.10	1.38	1.49	0.88	1.30	1.58	1.89	1.85
9450	0.88	0.86	1.16	1.25	0.88	1.58	1.89	1.85	1.85
9500	0.58	0.54	0.84	1.08	1.14	1.84	2.14	2.14	2.14

Est. vol. total, Calls 7936 Puts 6625. Previous day's open Int., Calls 257,977 Puts 260,772.

UK Gilts Prices

Notes

12m 1994	8.50	5.29	101%	107%	103%	Conversion 9/94 2004	8.84
12m 1995	11.62	5.18	103%	107%	103%	Trans 8/95 2004	7.52
3m 9m 10-95	3.05	5.19	98%	96%	97%	Clear 9/95 2005	8.81
12m 1996	9.83	5.72	104%	107%	104%	Trans 12/96 2005-6	10.10
12m 1997	11.78	6.10	108%	113%	108%	7/97 2006	8.12
12m 1998	12.66	6.00	110%	115%	110%	13/98 2002-03	6.26
12m 1999	13.58	6.89	114%	117%	115%	Trans 11/99 2007	9.88
12m 1999-03	11.95	6.70	105%	117%	105%	Trans 8/00 2007	8.41

COMPANY NEWS: UK

New York flotation raises \$479m for Bell Cablemedia

By Andrew Adonis

Bell Cablemedia, the UK's third largest combined cable television and telephone operator, has raised \$479m (\$360m) in equity and debt on the New York Stock Exchange.

The public offering of 13.1m American Depositary Shares raised \$204m, and an issue of senior notes - 10-year debt - another \$275m, in the second and largest cash-raising exercise for UK cable on the New York exchange.

Bell Cablemedia groups the UK cable interests of Bell Canada International, the international arm of Canada's largest telecommunications operator, Cable and Wireless, the UK telecoms group whose subsidiaries include Mercury, the main long-distance competitor to British Telecom, and Jones Interconnect, one of the largest UK cable television operators, with systems in 24 states.

Following the ADS offering BCI owns 42.2 per cent of Bell

Cablemedia, C&W 12.8 per cent, and Jones Interconnect and affiliates 44.1 per cent.

Bell Cablemedia has outright ownership of 18 UK cable franchises, and in addition a one-third stake in Videotron's UK cable interests. Its largest franchises cover Leeds (282,000 homes) and greater London east (229,000 homes).

Allowing for the equity share in Videotron, its franchises cover 2m homes, which puts it behind Telewest and Nynex, both US groups, in size.

Bell Cablemedia is, however, the largest UK cable company yet to have floated. Telewest and Comcast pulled flotations planned earlier this year in the face of market weakness.

The only flotation to date was of International Cabletel last summer, which raised about \$450m in debt and equity in New York to finance new UK cable ventures. Last autumn it established a \$200m joint venture with South Wales Electricity to build a cable TV and telephone network cover-

ing most of urban south Wales. When the Bell Cablemedia grouping took shape earlier this year, in advance of the flotation, it said it was likely to float in both London and New York.

The company yesterday blamed logistical difficulties and market conditions for the decision not to float in London, but said it hoped to attempt a London flotation within 12 to 18 months.

At least four other cable groups are also hoping for flotations in the next 18 months, but are waiting for a market revival before committing themselves.

Some UK investors are cautious about cable prospects in the face of BT's strenuous campaign to end the government ban on its providing entertainment services, imposed in 1991 as an encouragement to cable investment.

A House of Commons select committee will report on Wednesday in favour of an easing of the ban, in a move likely to unsettle investor confidence.

Caledonia Invs raises Ivory & Sime stake

By David Wighton

Caledonia Investments, the holding company controlled by the Cayzer family, has increased its stake in Ivory & Sime, the Scottish fund management group, from 15 per cent to 24.9 per cent.

Caledonia bought 2.9m shares in Ivory & Sime on Friday at about the market price of 224p.

Most of the shares, which were bought in the market, came from Abtrust, the fund manager that acquired part of Ensign Trust's 16.7 per cent holding last year.

Earlier last week Caledonia increased its stake by 13 per cent after sales by Abtrust and Scottish Value Trust.

Sir David Kinloch, deputy chief executive of Caledonia, would not be drawn on whether the company intended to increase its holding to 29.9 per cent.

"Obviously we have taken the holding as a long-term investment as we normally do. We hope that by stabilising their shareholder structure we will help them develop."

Caledonia has a long and lucrative record of taking large minority stakes in financial companies.

Caledonia owns investment trust manager Clan Asset Management with funds of about £240m.

The end of an independent life

David Wighton on the £16m sale of Dale Electric to the TT Group

Mr Iain Dale did not try to hide his sadness.

On Friday he and his fellow directors at Dale Electric recommended that shareholders accept an offer that would end the independent life of the company his father founded in 1935.

"Of course I am sad, but there is no place for sentiment in these things."

There will be no place for Mr Dale in TT Group, the acquisition conglomerate which is offering £16m for the North Yorkshire-based generator manufacturer.

But he believes the best way forward for the company is as part of a larger group, partly because of increasing competition in international markets.

"The world we face after the recession will be even more competitive than in the past, and I think we will see other smaller companies facing the realities of the future and deciding they do not have the critical mass."

For a company with only 600 employees and sales of £48m Dale is very widely spread. Based in Filey it sells into more than 100 countries.

Exports account for more than half its turnover and go to operations as far afield as Thailand, Mexico and Nigeria.

"We are right in the forefront of world competition and everything we do has to be the best," says Mr Dale.

"We have to have the lowest production costs and highest quality and though we have done very, very well as a group there is a limit to our financial flexibility. That limits the speed with which we can introduce new products and develop new markets."

Dale has been an export-led company almost from the start.

Mr Dale's late father, Leonard, a milkman turned electrician who set up in business with 11/9d in 1935, started making generators after the war.

When an early advertisement in *Farmers' Weekly* brought an inquiry from an export in Kenya the export business was born.

After steady growth in the 1960s Dale went public in 1972 and was soon enjoying a boom in exports to the oil-rich Middle East.

Back home, sales of its stand-by generators were boosted by power strikes and its share price surged as profits topped £3m in 1978.

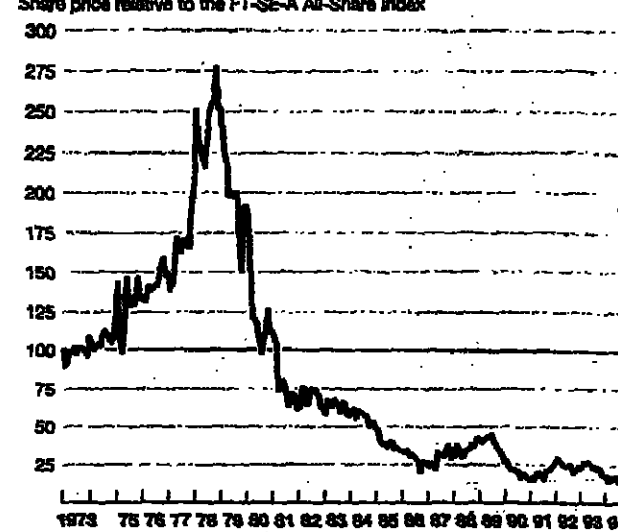
But in the early 1980s the combination of the UK recession, the strong pound and problems in some of its key export markets dealt it a heavy blow from which it has never fully recovered.

Swiss Bank Corporation's Mr Peter Corley, who brought Dale and TT together, argues that Dale spread itself too thinly.

"It has a good range of products but has not had the finan-

Dale Electrical International

Share price relative to the FT-SE-A All-Share Index



cial muscle to get the best from them. It did not have the resources to develop markets quickly enough."

In view of its patchy record over the last ten years Mr Dale admits: "Maybe with hindsight it would have been better to sell out ten years ago."

There was an opportunity in 1987 when Dale fought off a bid worth 130p a share from the much smaller Sunlight. The shares reached a high of 147p in 1989 compared with yesterday's close of 72p.

Longer term shareholders have done even worse. Allowing for a one-for-one scrip issue in 1977 the shares were floated at 56p which after 22 years of inflation would be worth more than \$4.

But Dale is held in great affection by many in the financial community. Mr Rodney Lambert, a long-time follower at Roy James, the Birmingham stockbroker, agrees that it might have been better if it had sold before.

But many, he finds it hard to criticise. "The TT deal is a good one given current conditions but I am sorry to see it go."

Ramsden's helped by new outlets

By Caroline Southey

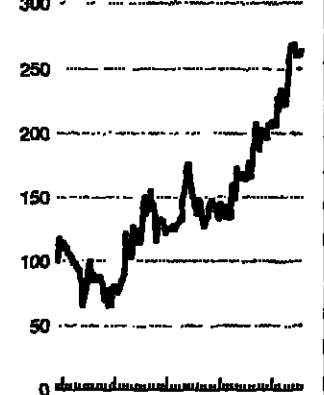
Mr Jack Charlton, manager of the Irish Republic's national football team, will be on hand some time before Christmas to officiate at the opening of Harry Ramsden's in Dublin, the West Yorkshire-based fish and chip restaurant operator's 13th outlet.

New restaurants helped boost the USM-quoted company's pre-tax profits by 16 per cent from \$87,673 to \$101,824 in the six months to April 3 on turnover 12 per cent ahead at \$1.6m (\$1.2m).

Mr John Barnes, chairman, said the company would continue its push into southern England. A Bristol outlet, opened at Easter, had achieved "the highest sales of any new opening".

Restaurants in Birmingham

Harry Ramsden's



and Edinburgh were also opened during the period, bringing total outlets to 10. Since then Liverpool and Nottingham outlets have come on stream.

Harry Ramsden's in Hong Kong showed continued growth. Mr Richard Taylor, finance director, said the experience gained there would be applied to openings in Singapore by the end of the year.

He anticipated that the first Harry Ramsden's in Melbourne, due to open next year, would "not be the last in Australia". A franchise opening in Jeddah is due later in 1995.

The interim dividend is unchanged at 1p on earnings of 0.9p (0.7p) per share. In May the company made a placing of 213,960 shares at 265p apiece.

New contracts help Capita rise 33%

By Andrew Bolger

Capita Group, which provides services to the public sector, increased pre-tax profits by 33 per cent to £2.71m in the six months to June 30 and said prospects were encouraging.

Group turnover rose by 38 per cent to £30.5m, thanks mainly to new contracts in the outsourcing division, which provides revenue-collection and computer services to local government.

Outsourcing revenues increased by 77 per cent to £21.1m and operating profits almost doubled to £1.51m. Capita said the division's five-year projected revenue stood at £18m at the half-year, up from £10.9m last time.

Mr Rod Aldridge, chairman, said the group had taken a strategic decision to strengthen its sales activities in the central government and utilities markets to complement its core local authority work.

He said: "This should provide a balance of revenue. Inevitably, there is a temporary reduction in activity in the local government market as local authorities implement the local government review."

Operating profits from the

advisory division rose by 43 per cent to £600,000, even though sales fell 5 per cent to £4.4m. Capita said the drop in turnover was mainly because of increasing competition in the provision of short-term managers to the public sector.

Profits from the property services division fell by 14 per cent to £800,000, although sales were 8 per cent higher at £5m.

Capita said that to provide additional support to its revenue management operations it paid £1.05m in April for John Crilly & Son, one of the country's leading collection or bailiff agencies.

Since the half-year, the group had acquired Sims Holdings, a supplier of computer systems and support services to the education market, for an initial £6m. Mr Paul Pinder, managing director, said Sims provided Capita with an important position in the growing education sector, a market which accounted for 9 per cent of gross public expenditure.

Earnings per share increased 33 per cent to 3.8p (2.86p). The interim dividend rose by 29 per cent to 1.1p (0.85p), and the group said it expected to pay a total dividend for the year of 3.3p, a 29 per cent increase.

UK side boosts Adam & Harvey

Adam & Harvey, the distribution and steel stock-holding group, increased pre-tax profits by 16 per cent from £4.9m to £5.7m in the 12 months to end-March.

Turnover rose from £40.4m to £42.1m, and earnings per share improved from 54.2p to 77.6p.

The board is recommending a final dividend of 11p, which will be payable as a foreign income dividend. The interim dividend, paid in January, was 6p, and the total distribution for the previous year was 12p.

Mr Gerald Stuart-Lee, chairman, said trading conditions had been "unusually varied", but the company had had a promising start to the year.

"The UK subsidiaries and export trading companies will benefit from the strengthening UK economy and increasing world trade," he said. However,

although changes in South Africa, Malawi and Kenya, and progress towards a free market in Zimbabwe, "should lead to substantial advantages for the steel division... current market instability and pressure on margins could limit results in the short term."

In the UK, the hardware and agricultural machinery companies increased profits substantially. Recession held back household goods and medical equipment in Germany, although agricultural, construction and food processing machinery prospered.

The board said it would review annually the balance between ordinary and foreign income dividends, and it is probable the current balance would alter as unrelieved, carried forward ACT, now standing at about £400,000, is absorbed.

Scantronic chief resigns as debt rises

By Tim Burt

Scantronic Holdings, the security components manufacturer and distributor which last month delayed publication of its full-year results, yesterday said Mr Ray Dias, its finance director, was resigning and it would be unable to pay a final dividend.

The company said Mr Dias had failed to alert the board to the twin impact of increased borrowing and difficult trading conditions. Net indebtedness rose from £3.5m to £7.6m in the year to March 31, and stood at £11.2m by the end of last month.

Borrowing increased following two acquisitions: Alarmexpress, the UK security equipment distributor, and Arius, the US distributor.

The group said it expected to report pre-tax profits in the next two weeks of not less than £2.75m for the year to March 31, against £1.6m. The announcement was made after the market closed and the shares were unchanged at 48p.

£227,000 loss for Clinical Computing

The costs of moving to new premises in the UK, setting up an office in the US and investing in product development, together with delays in customers placing orders, pushed Clinical Computing, the medical software company, into a £227,000 loss for the six months to June 30.

The share price fell 10p to 90p on the news, against a flotation price of 124p and a high of 173p on the first day of trading when the company came to market in a £3.1m flotation in February.

Turnover was down from £1.18m to £735,000 and the first-half loss compares with a pre-tax profit of £446,000 for the same period last year. Losses per share came out at 1.4p against earnings of 3.7p.

Marling ends year £0.7m in the black

By Caroline Southey

Marling Industries yesterday reported it had ended the year in the black and said it was joining the small number of UK companies to make a distribution to shareholders in the form of a foreign income dividend.

The industrial textiles company is taking advantage of the new regulations aimed at alleviating the tax burden on businesses which have a strong bias towards overseas profits.

Mr William Rollason, finance director, said the saving of £200,000 in advance corporation tax on conventional dividends would be passed on to shareholders in the form of a higher dividend.

A final pay-out of a net 0.57p has been recommended, making a total of 0.77p (0.65p), on a capital base increased 10 per cent by a rights issue last July. The increased dividend will compensate non-tax paying institutional shareholders which would have clawed back the ACT

on conventional dividends.

Under the FID scheme, companies pay dividends out of foreign income. They were devised to aid companies which suffer under the UK tax regime when their mainstream corporation tax liability was insufficient to offset their ACT liability on dividends.

Announced in last year's budget, FIDs have been used by BAT Industries, the tobacco and financial services group, and Courtauld, the home furnishings retailer.

Marling's overseas operations, which account for 80 per cent of profits, helped it return to the black with pre-tax profits of £743,000 in the year to March 31 against losses of £9.8m last time.

Exceptional costs were £1.4m, compared with £2.7m which included losses on disposal of discontinued operations.

Pressure on prices pushed turnover on continuing operations down from £54.7m to £48.6m. Total turnover was down 25 per cent from £79m to £59m, including £6.6m from acquisitions and £3.96m (£24.3m)

from discontinued operations. Overseas operations contributed 75 per cent of sales.

Marling's strongest performance came from its automotive seat belt webbing divisions in the Netherlands and Australia. Exports from Webco, its Australian offshoot, continued to grow, particularly to India, Japan, New Zealand and China. Mr David Smith, chief executive, said these markets offered long term joint venture possibilities.

Mr Smith said high organic growth was anticipated from Müller, a German manufacturer of elasticated bandages, sports bandages and incontinence products acquired in July last year.

Overcapacity and pressure on prices contributed to an erosion of margins in the company's UK and German industrial webbing divisions.

Gearing had risen from 84 per cent last time to 95 per cent. Mr Rollason said the target was to reduce this to 75 per cent by the end of the next financial year. Losses per share fell from 7.65p to 0.13p.

Pillar Property makes £4.35m buy

By Simon Davies

Pillar Property, due to announce the pricing of its flotation on Thursday, has announced the £4.35m acquisition of a development site on the southern edge of Glasgow's central district.

This is the second large deal by Pillar since it announced its flotation, marking the return of Mr Raymond Mould and Mr Patrick Vaughan, founders of Arlington Securities, to take

up running the property group.

The latest site is phase two of a development project in the Broomfield district of Glasgow, undertaken by a joint venture together with Kumagai Gumi UK. The site acquired by Pillar carries outline planning consent for a further 900,000 sq ft of mainly office space. The site will be developed over several years. It is expected that it will be undertaken "in association" with the Phase 1 developers.

MTM makes £10.5m agrochemicals sale

MTM, the chemicals group, has agreed to sell its agrochemical subsidiary to United Phosphorus, an Indian group, for about £10.5m in cash.

The disposal will leave MTM with net cash of £16.2m which it plans to use for the acquisition of businesses with good profit growth potential.

In the year to last December the agrochemicals business contributed turnover of £31.4m and operating profits of £300,000 to group turnover of

£53.6m and operating profits of £1.2m.

The division's net assets had a book value of £9.3m at the year end.

MTM, whose shares closed up 5p at 71p yesterday, said the division had insufficient growth potential to justify retaining it as a core business.

The consideration includes a goodwill payment of £572,500 over net asset value. The final consideration is dependent on the net assets at completion.

NEWS DIGEST

LIG's cash call 88% taken up

London International Group, the condom maker, saw its £115m rescue rights issue taken up by 88.3 per cent of its shareholders.

The good result was helped by a strong last minute surge in the share price which has risen by 11p to 85p over the past week compared with the rights price of 70p.

Mr James Tyrrell, finance director, said: "We are very pleased with the result and now have to get on and run the company efficiently and realise shareholder value."

Euromoney will acquire the balance of the equity in 1996, for which a further performance-related payment is payable dependent upon Raven's profits in the 1996 year.

The total consideration will not exceed £3.14m, although the directors of Euromoney estimate that it will probably fall in the region of £7m.

In the year to December 31 1993 Raven Fox made a pre-tax profit of £654,000. Net assets at that date amounted to £884,000.

Euromoney, whose ultimate holding company is Rothmere Investments, in May this year raised some £20m via a placing to fund its aggressive acquisition policy.

Lex Service

Lex Service, Britain's largest car distribution and leasing group, is expected to report a sharp increase in interim pre-tax profits this week. The rise follows exceptional gains on the sale of the last tranche of shares in Arrow Electronics, which it received in part payment for the disposal of its North American electronic components distribution business to Arrow in September 1991.

Analysts predict profits will climb to £31m (£21.2m) under FR33 when the group announces its results tomorrow. Yesterday's Financial Times incorrectly reported that the results were due today.

Storm

Storm Group, which is involved with intellectual property rights relating to toys and cartoon characters, has announced the result of its pla-

cing and open offer to raise £2.3m.

Of the 16.97m shares offered at 15p each, some 5.83m (34.4 per cent of the issue) were placed firm with institutional investors. Valid acceptances from shareholders were received for 3.92m (23.1 per cent) and the remaining 7.21m (42.5 per cent) will be taken up in accordance with the placing agreement.

Storm's shares trade on the USM.

Smaller Companies

Net asset value at the Smaller Companies Investment Trust rose from 124.65p to 138.87p over the year to June 30. However it was lower than the 146.41p achieved at the December 31 year end.

Net revenue for the six months ended-June was £718,000 (£204,000) for earnings per share of 1.40p (1.31p). However, the interim dividend is being held at 1.5p.

Sherwood Computer

Sherwood Computer Services, has sold Sherwood Consort Data, its subsidiary providing software and services to the

stockbroking market, to its management for a maximum of £450,000.

The directors said the disposal is in line with declared strategy of concentrating on core activities and, in particular, to reduce conflict with City Deal Services, the company's own execution-only stockbroking arm.

In 1993 Consort had a turnover of £835,000 and a net loss of £1,000. It had a net deficit on reserves of £33,000.

Sherwood Computer received £250,000 on completion and will receive a further consideration up to a maximum £200,000 payable as a royalty on licence sales. Proceeds will reduce the company's overdraft.

WEW

WEW Group, the discount retailer, has warned it will have to make full-year provisions for excess stock, particularly clothing from last winter and autumn and Sega computer games equipment.

The company added that following the poor spring trading the last six weeks had been over budget.

The shares lost 1 1/2p to close at 34 1/2p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total for year
Adam & Harvey	11.15p	Sept 14	7	17	12
Bulbough	1.75	Sept 15	1.75	-	3.50
Capita Group	1.1p	Oct 6	0.85	-	2.55
Grogue	7	Oct 14	6	-	18
Marling Inds	0.57p	Oct 7	0.65	0.77	0.85
Merrydown	1.5	Oct 5	6	2.5	7
Ramsden's (40 p)	1	Sept 30	1	-	4.5

Dividends shown pence per share net except where otherwise stated. *On increased capital. *USM stock. *Foreign income dividend. *55c/share.

Greggs advances 27% to £3.66m

By Chris Tighe

Greggs, the manufacturer and retailer of bread, confectionery and savoury products, yesterday reported pre-tax profits up 27 per cent from £2.89m to £3.66m for the 24 weeks to June 18.

A 7.5 per cent rise in turnover to £51.9m, against £48.3m, included an increase of 1.5 per cent in core volume.

Earnings per share were up by 26 per cent from 17p to 21.4p and the interim dividend is increased by 17 per cent to 7p per share, compared with 6p.

The interim results cover the period immediately before Greggs' acquisition of the Baker's Oven business from Associated British Foods on June 19. This boosted total outlets from 505 to 529, making Greggs Britain's largest retailer baker,

trading from Pitlochry to Southampton.

Mr Mike Darrington, managing director, said the priorities now were implementing Greggs' decentralised structure into Baker's Oven, improving the acquisition's quality and efficiency and addressing its continuing core volume decline.

Restructuring helps Bullough recover to £7m

By Tim Burt

Bullough, the diversified engineering and office products group, yesterday forecast a return to the "blue sky" of high margin profits as the benefits of tight cost controls and restructuring produced a sharp increase in the interim pre-tax figure.

The group saw first half profits leap from £50,000 to £7.13m for the six months to April 30, even though turnover declined from £133.4m to £132.2m.

Although the comparable year's figures were undermined by a £4.67m restructuring charge, operating profits before provisions rose by 35.5 per cent from £5.64m to £7.64m. Mr Gordon Bond, who took over as chief executive in January, said: "Every division has shown growth and we can now pursue our aim of getting profitability back to 1990 levels." In that year pre-tax profits reached £28.7m.

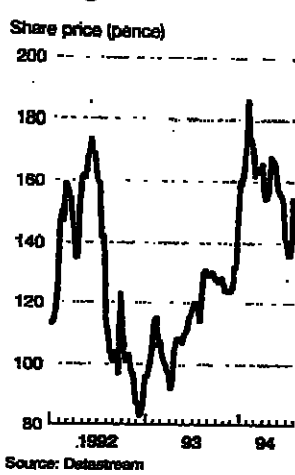
His optimism was fuelled mainly by improved results from the heating and refrigeration divisions, which saw operating profits increase to £2.55m (£1.8m) and £1.88m (£1.56m) respectively.

Turnover declined in both the engineering and office products sectors, but they defied tight margins with profits of £2.49m (£2.19m) and £943,000 (£83,000) respectively.

The group said it had appointed an internal auditor to oversee financial controls after a £1.4m misstatement last year at the south west branch of its General Refrigeration subsidiary.

The branch has since been merged with its Midlands operation and the accountant responsible has been dismissed and faces civil proceedings to recover more than £30,000 of missing cash.

Bullough



The shares rose 9p to 154p yesterday after the group announced earnings per share of 3.85p (0.02p). The final dividend is held at 1.75p.

COMMENT

Mr Bond has shaken not stirred Bullough. The work force in the group's office products companies has been cut in half and managers have been instructed to pursue quality at low cost. He was lucky to arrive after the group had been through the worst part of its "pain first, gain later" restructuring. But he deserves credit for refocusing it into four key areas and cutting gearing from 12.5 per cent to 3.1 per cent, leaving plenty of room to buy market share through acquisitions. Steady long-term growth in each division is a real prospect and analysts have upgraded their forecasts for full year pre-tax profits to about £17.5m. On a forward multiple of 16, the shares seem an expensive but secure long-term bet.

BM nets \$22m from US sale

BM Group, the loss-making engineering company, yesterday announced the latest in a series of disposals with the sale of a US construction and mining equipment distributor to Marubeni of Japan for a net consideration of \$22.2m (£14.5m).

The sale of Mitchell Distributing, which had been expected before the June 30 year-end, will bring current debt down by £13.5m to £28m. Debt has been reduced substantially from the £98m reported at the interim stage by previous disposals. Because of the slight delay in completing the sale agreement, however, the group will show borrowings of £65m when it reports annual figures in October.

BM said the disposal programme, agreed with bankers, was on track. The group plans to get rid of businesses in Canada - for which it took a £6m charge at the interim stage - and operations in Belgium and South Africa.

BM will now have to focus on renegotiating banking facilities to replace the short-term support which expires in December.

IMI sells computer offshoot

IMI has sold Redwood International, its loss-making computing software subsidiary, to CP Software Group, a California-based software management and marketing specialist.

IMI will receive £5m, satisfied by the issue of a secured promissory note with a maximum maturity of five years.

It will also receive convertible preferred stock and 19.9 per cent of the common stock of a new US company formed by CP to hold its interest in Redwood.

IMI is making available up to £5m of interest bearing loans to support the repositioning and restructuring of Redwood which CP has planned.

Redwood incurred operating losses of £4m in 1993, entirely in the second half, and the loss for the first half of 1994 is expected to rise to about £8m.

The directors said the computer software market was becoming more competitive and the uptake of Redwood's new product range was slower than expected.

IMI's second half results will reflect an exceptional charge of about £16m, which will include a write-down in net assets and the loans referred to.

BA places £15m Satcom order

By Andrew Adonis

Racal, the data communications group, and Honeywell, the US electronic control systems company, have won a £15m order from British Airways for their "Satcom" satellite communications system.

The contract is the largest Satcom order to date, and establishes Racal/Honeywell as a strong leader in the rapidly

growing market for airborne digital communications.

British Airways said the new system would "revolutionise the quality of communication from the flight deck", with higher quality voice communications and automatic monitoring for engineering purposes.

Satcom also has the potential to provide a telephone at every seat in the aeroplane and enhanced passenger entertainment and interactive facilities.

British Airways sees the new system as an important competitive asset.

Most big airlines have experimented with satellite telephones, but previous analogue systems have been at best a partial success because of the variability of sound quality and the cost of the equipment and satellite time.

British Airways will test the first multi-channel systems this year, and intends to install

them in 90 long-haul aircraft from next year.

These will include Boeing 747s, long-range 767s and McDonnell Douglas DC10s. The Concorde fleet may also be equipped.

The Racal-Honeywell team has won orders for more than 500 satellite-based airborne systems from 30 air transport customers, and claims to have certification on 10 aircraft types.

Ryland worth up to £30m in float

By Tim Burt

Ryland Group, the family-owned vehicle distribution group, yesterday announced plans for a stock market flotation valuing the company at between £25m and £30m.

The move follows a rapid expansion of the Midlands-based group, which has spent £1.5m on new dealerships this year, giving it a network of 25 showrooms across the country.

Mr Peter Whale, chairman and chief executive, hinted that funds raised by the flotation, by way of a placing sponsored by Albert E Sharp, would be used to accelerate the group's expansion programme.

"We expect to raise between £10m and £12m and that will give us greater flexibility in financing acquisitions," said Mr Whale, a grandson of Mr

Harry Whale, who started the business in 1951 by selling trucks in Birmingham.

Since then it has established distribution agreements with manufacturers including BMW, Mercedes, Nissan, Vauxhall, Toyota, Honda, Renault and Ford.

The timing of the flotation has also been influenced by resurgent demand for new and used cars in the past year.

Buoyant sales helped Ryland increase pre-tax profits from £779,000 to £2m in the year to April 30.

Operating profits moved ahead from £2.4m to £3m on increased turnover of £190m against £157m.

Following the placing, the Whale family's holding in the company is expected to decline from 65 per cent to between 30 per cent and 40 per cent.

Olives Property makes £0.9m buy

Olives Property, the paper-making and property development group, has acquired Zincshire, a privately owned property investment company, for £935,000.

The consideration will be satisfied by £100,000 in cash and the balance by the issue of

1.7m new ordinary shares and £300,000 nominal convertible secured stock.

Zincshire, which owns two freehold properties in Swindon and west London, made pre-tax profits of £108,640 for the year to March 24 1994, at which date net assets were £285,339.

Exceptional costs hit Merrydown

By Clare Gascoigne

Stock write downs and reorganisation costs pushed Merrydown, the cider and drinks group, into a pre-tax loss for the year to the end of March, despite a 33 per cent rise in turnover to £25.6m.

The dividend is cut from 7p to 2.5p, with a proposed final 1.5p, and the shares closed 2p lower at 130p yesterday.

Mr Richard Purdy, chairman, said the year had been "one of the most difficult in the company's 45-year history", with Christmas sales of cider "particularly disappointing".

Exceptional costs of £2.98m wiped out a small operating

profit of £294,000 and turned last year's £1.71m profit into a loss of £2.79m.

However, Mr Purdy said the reorganisation would mean savings of £1.5m in the current year. "The group is now wholly focused on drinks," he said.

The decision had been made to sell Marlet Natural Foods, and an agreement with Toohy's, the Sydney-based brewing subsidiary of Lion Nathan, will mean the launch of Merrydown Premium cider in Australia.

Earnings per share before exceptional items and discontinued activities were 2.07p (0.7p), but after exceptional losses were losses per share of 22.76p (13.03p earnings).

NatWest Smaller shows improvement

The net asset value per ordinary share of the NatWest Smaller Companies Investment Trust stood at 114.77p at the June 30 year end, against 100.83p a year ago. Net asset value of the new C shares was 119.97p at the same date.

The 29.5m C shares were issued in connection with the trust's £35m fund-raising exercise in March this year. They will convert into ordinary shares on July 28 at a ratio of 1.0430801 with one new warrant for every five shares issued, raising the ordinary shares in issue to 47.2m, against 16.4m.

Some 5.16m new warrants will be issued, which can be

exercised at 100p on October 31 each year until 1998. The record date for conversion is July 22 1994.

Prior to the placing the trust was known as County Smaller Companies Investment Trust.

Net revenue for the year amounted to £949,000 (£556,000). Earnings emerged at 4.32p (3.4p) per ordinary and 0.23p per C share.

A special interim dividend in respect of the year is declared, comprising a principal dividend of 1.875p in lieu of a final, thereby maintaining the total at 3p, and an exceptional dividend of 0.425p which is attributable to the issue and conversion of the C shares.

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Size: 115mm x 110mm x 30mm
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CODE DWS (6disc)
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The FT Jotter Calculator Wallet

This is such a handy little item you will wonder why you have not used one before.

A small black leather wallet which contains a detachable solar powered calculator on one side and an FT pink jotter pad on the other. Included is a matching black and gilt ballpoint pen. Now you can note and jot down calculations wherever you are. Includes two inside pockets for your notes.

Size: 82mm x 110mm x 5mm.

CODE JC

The FT Conference Folder



Crafted from one piece of leather and lined with FT pink moiré silk, the FT lockable conference folder contains a brass ring binder for holding your papers securely, A4 note pad and a small jotter pad. There are loops for pens and different sized pockets for papers and business cards so everything is kept neatly together. Supplied with a key. Refills for the A4 note pad and jotter are readily available.

Size: 320mm x 254mm x 32mm.

CODE CFL

The FT Billfold Wallet

This very practical wallet is made from supple soft black leather and fits easily into a jacket or hip pocket. Inside, there are two full length pockets to hold bank notes and a secure pocket for loose change or keys. It is also the perfect size for business cards. There are spaces for 5 credit cards and a see-through pocket for an ID photo card.

Size: 110mm x 95mm x 11mm.

CODE BFW

The FT Travel Organiser

An efficient, effort saving companion that finally solves those irritating problems we all experience from time to time. When passport and boarding card have separated and sterling is mixed with Deutschmarks. When that important receipt is nowhere to be found and all your coins from all your travels have decided to meet together, what do you do?

The FT Travel Organiser is the solution. It keeps all your travel documents safely and efficiently close to hand. Made from rich black leather it has pockets for your passport and boarding card and a detachable section for your traveller's cheques. There are pockets for your currency and even detachable zipped pockets for your loose change plus further pockets for receipts and notes. (No gilt corner guards on this item.)

Size: 232mm x 127mm x 19mm.

CODE TOL

The FT Document Case

Slim, lightweight, very elegant and practical, this document case is easier to take around on your travels than a briefcase. It has gusseted sides and holds A4 size documents. It is lockable and is supplied with a key. If you travel with an over-loaded briefcase this is a great way of keeping things in order - simply separate the items you need for your next meeting, put them in the document case and you are ready to go!

Size: 335mm x 240mm x 5mm.

CODE DCL

The FT Business Card Holder

This is a super black leather desk accessory that you can leave back at the office when you are travelling but one you will want to use the moment you return. An executive's business card holder with a capacity to hold up to sixty cards, in see-through plastic pockets.

Size: 135mm x 213mm x 10mm.

CODE BCH

The FT Jotter Wallet

An exceptionally slim black leather wallet which holds a loose leaf jotter pad. It slips easily into a pocket and is ideal for jotting down notes when you are out and about.

Behind the jotter pad is a full-length pocket which is just the right size for banknotes, tickets and receipts. Refills for the FT-pink jotter pad are readily available.

Size: 173mm x 93mm.

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Jotter/Calculator Wallet	JC	C20 52	C20 83			
Conference Folder	CFL	C72 89	C78 47			
Billfold Wallet	BFW	C20 15	C21 21			
Travel Organiser	TOL	C37 27	C39 45			
Document Case	DCL	C50 13	C54 66			
Business Card Holder	BCH	C31 34	C33 17			
Jotter Wallet	JW	C12 41	C12 67			
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COMMODITIES AND AGRICULTURE

Speculators lose taste for coffee

By Alison Maitland

Coffee futures yesterday suffered a sharp setback in New York and London as selling by disillusioned speculators ran into a lack of buying interest on the eve of the first Brazilian government estimates of the frost damage to next year's crop.

In London, the second position robusta contract dropped \$245 to \$3,383 a tonne, leaving it about \$300 above its level just before the second Brazilian frost two weeks ago and 17 per cent below its 8 1/2-year peak of \$4,085 in the week following that frost.

The New York market, which is more driven by specu-

lative interest and trades in arabica, Brazil's primary coffee variety, has seen an even larger retracement of about 25 per cent from its peak of 274 cents a pound on July 13, in afternoon trading yesterday, the September contract was off 13.20 cents at 206.20 cents a pound.

The belief is growing that the crop damage will be less than initially thought from the two severe frosts which struck in late June and early July. "With the benefit of hindsight, a lot of the ideas put around before are now seen as having been too much too soon," said Mr Robert MacArthur, head of the tropical trader group at Merrill Lynch in London.

He said estimates of damage of between 6m and 8m bags to a crop that could have been 25m-30m bags were now widely believed and had been discounted in prices. "If Brazil only confirms that, it won't be enough to do much to the market. If it's significantly higher, people might be disbelieving."

He added that more physical supplies had come on to the market and coffee roasters and traders had better cover than during the scramble that followed the second frost.

E.D. & F. Man, the London commodity trader, said yesterday that a loss of 6m to 8m bags could mean a crop only a little smaller than this year's harvest of around 24m.

GNI, the London brokers, took a similar line. "We believe that the final crop figure will come in close to 20m bags," it said in its daily market report.

Yesterday's falls, in fairly thin volume, were fuelled by warmer weather during the weekend. Both previous frosts took place at the weekend, and the potential frost season continues until the end of next month.

One London trader commented: "The real problem is that no one is sure where the market should be."

Zimbabwe has lost up to 20 per cent of its expected coffee output of 7,800 tonnes this season because of frost, reports Reuters from Harare.

Russian aluminium exports higher than thought

Russian aluminium exports outside the Commonwealth of Independent States rose to 1.116m tonnes in the first half of this year from 673,600 tonnes in the corresponding period a year earlier, according to the Foreign Economic Relations Ministry, reports Reuters from Moscow.

Aluminium exports in January-May were 978,200 tonnes, up from 495,800 tonnes in the year-ago period, a ministry official said.

The official, who declined to be named, said an initial January-June estimate of 1.25m tonnes had been revised. The latter figure was published by the State Statistics Office in its latest report on the economy.

An official of Aluminium the country's aluminium producers' group declined to comment on the figures.

Russia and other major world aluminium producers agreed earlier this year to cut output in a bid to prop up the market. The agreement was in response to a sharp fall in aluminium prices caused by a surge in Russian exports following the breaking up of the Soviet Union. Prices have since risen sharply.

Data released at a meeting of the producers in Australia this month showed that Russian output fell to 220,000 tonnes in June from 236,100 in November 1993. That data also indicated, however, that exports in the first five months of this year amounted to about 900,000 tonnes, roughly in line with the 1993 total of 1.9m tonnes.

UK scientists in search for 'greener' dairying system

By Deborah Hargreaves

British researchers are investigating whether dairy farming can be both profitable and environment-friendly.

The government's farm advisory service,ADAS, is examining ways of reducing the waste products and emissions from dairy farms, such as nitrogen run-off and manure or slurry. Project managers have set up three dairy systems at ADAS's Bridgeston research centre in Hampshire to compare the results of different types of management.

Disposing of slurry in a way that is not harmful to the environment is a controversial issue in the European Union where it is tackled by different countries in different ways. In Denmark, farmers must own

enough land to dispose of their own slurry or must be able to secure contracts from their neighbours to get rid of it on their land.

The British government is looking at the possibility of introducing legislation that would force farmers to store the slurry for a period and dispose of it when it was least likely to be harmful to the environment. This would raise costs for farmers, but it would also bring some benefits as the land gets more nutrients from manure if it is spread done in the winter.

The experimental dairy units range from a conventional system with a stocking rate of 2.1 cows a hectare to a farm with the same amount of land and number of animals but which has incorporated measures for

reducing nitrate losses.

The third unit includes more land with the same number of cows so that nitrate leaching losses can be cut to below the European Union limit of 50 milligrams a litre.

Mr Steven Peel who runs the project, which has received a £700,000 grant from the government, says the profitability of the different systems will be studied for three years to see if environmental management can be improved without affecting profits.

At the same time, the researchers are looking at the use of forage maize for cows' diets as a replacement for silage, which will help to reduce the amount of nitrogen they excrete. Feed can be formulated in a way that eliminates excess nitrogen.

Indian growers get better bargain

Newly-authorised private auctions are flourishing, writes Kunal Bose

The Indian government is progressively reducing the marketing role of the Coffee Board, which until a couple of years ago used to pool the country's entire production for auctioning. As part of a general economic liberalisation plan the Coffee Act of 1943 has been changed to allow growers to market half their production independent of the Board in either the domestic or foreign market.

There is a consensus among all concerned that liberalisation - to start with, the growers were allowed to sell 30 per cent of their produce in the domestic market only - has done a world of good to the plantation industry. Even though the buyers of coffee for the domestic market are complaining loudly about "run-away" inflation in coffee prices at the auction since January, they admit that the planters have started taking a lot more care about the quality of the crop.

When the board was pooling the crop "the estates did not have any individual identity," says an official of the Karnataka Planters Association. "Moreover, the return from coffee was so low prior to the growers had neither the

money nor the incentive to care for quality."

But with the Indian Coffee Trade Association holding fortnightly auction at Bangalore, where returns depend on quality, the estate owners are giving a lot more attention to irrigation, use of nutrients and plucking and curing of berries.

The success of the ICTA auction has encouraged producers and traders to organise monthly auction at Coorg in Karnataka and Coimbatore in Tamil Nadu.

While the - a big incentive to producers being the prompt payment they receive - the board, which holds a weekly auction at Bangalore, is not getting enough coffee, although growers are required to surrender half their production to it. The Board takes an increasingly long time to pay for the pooled coffee and the premium for good quality is insufficient.

According to the Board, India's 1993-94 (October to September) coffee crop will be 208,000 tonnes, comprising 119,500 tonnes of robusta and 88,500 tonnes of the milder arabica. The board should, therefore, be getting 104,000 tonnes of coffee from the growers. But the amount received

so far is less than 50,000 tonnes.

The growers think that India will finish the season with a crop of 180,000 tonnes, up from 169,395 tonnes in 1992-93.

It is mainly the small growers with holdings of up to ten hectares - they own nearly 64 per cent of the 270,821 hectares under coffee - who are not surrendering the required quantity. And the board lacks the means of enforcing discipline. Mr Ashok Kuriyan, himself a big planter and president of ICTA, suggests that instead of "encouraging corrupt practices, the government should exempt the small growers from pooling coffee with the board."

The plantation owners argue that as the private auctions are doing well with enthusiastic participation by the growers, traders and exporters, the government should now allow them to market the entire crop. But the authorities will have to take into account the growing discontent among the Indian consumers over the rising coffee prices and the demand for a separate coffee auction for the domestic market before it thinks of further liberalising the trade.

The small growers' action committee does not believe

that separate auction sales for the domestic market will give any relief to consumers "since as long as the world coffee prices remain higher than the domestic prices, coffee will somehow be cornered by the exporters. The return to the local auction system will only be based on corruption."

The growers, irrespective of size, point out that for the first time in many years they are getting a good return from coffee. They say that the surpluses are being used to pay back loans, create irrigation facilities and start the process of replanting bushes, many of which are 50 to 60 years old. They realise that their present prosperity is a reflection of the world coffee situation. If the government wants to give relief to vulnerable sections of society, they argue, it should take some coffee from the board for distribution through ration shops. The elimination of middlemen would make such coffee cheaper by at least 20 per cent, they claim.

With Indian coffee inviting strong export enquiries, the growers think that exports in this financial year (April to March) will be much higher than the 125,172 tonnes shipped in 1993-94.

MARKET REPORT

Copper leads cautious base metals rally at LME

Most base metal markets finished higher on the London Metal Exchange yesterday. COPPER tended to stutter

higher, with periods of upward movement and option-related buying followed by spells of

ALUMINIUM was helped by late commission house buying, which ensured a close at the day's highs, although it too

was subdued once early Far Eastern buying below \$1,500 had run its course. Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Arranged Metal Trading)

ALUMINIUM, 99.7% PURITY (\$ per tonne)

Close 1480-82 1507-8

Previous 1482-84 1505-11

High/Low 1470 1515-17

AM Official 1479-85 1505-10

Kerb close 1515-6

Open int. 280,000

Total daily turnover 45,100

ALUMINIUM ALLOY (\$ per tonne)

Close 1482-87 1512-15

Previous 1480-90 1510-17

High/Low 1470 1515-17

AM Official 1479-85 1505-10

Kerb close 1515-6

Open int. 2,892

Total daily turnover 730

LEAD (\$ per tonne)

Close 893-94 898-5-000

Previous 893-94 898-5-000

High/Low 893-94 898-5-000

AM Official 893-94 898-5-000

Kerb close 898-5-000

Open int. 41,438

Total daily turnover 11,903

NICKEL (\$ per tonne)

Close 6190-200 6285-50

Previous 6190-200 6285-50

High/Low 6190-200 6285-50

AM Official 6190-200 6285-50

Kerb close 6285-50

Open int. 58,871

Total daily turnover 10,760

TIN (\$ per tonne)

Close 8275-85 8350-50

Previous 8275-85 8350-50

High/Low 8275-85 8350-50

AM Official 8275-85 8350-50

Kerb close 8350-50

Open int. 18,454

Total daily turnover 4,948

ZINC, special high grade (\$ per tonne)

Close 971.5-2.5 986-67

Previous 971.5-2.5 986-67

High/Low 971.5-2.5 986-67

AM Official 971.5-2.5 986-67

Kerb close 986-67

Open int. 102,988

Total daily turnover 15,178

COPPER, grade A (\$ per tonne)

Close 2520-22 2530-28

Previous 2520-22 2530-28

High/Low 2520-22 2530-28

AM Official 2520-22 2530-28

Kerb close 2530-28

Open int. 227,154

Total daily turnover 31,261

LME AM Official 5/25 ratio 1.5328

LME Closing 5/25 ratio 1.5310

HIGH GRADE COPPER (COMEX)

Close 2520-22 2530-28

Precious Metals continued

GOLD COMEX (100 Troy oz; \$ per oz)

Sett. Day's price change High Low

Jul 364.8 -0.1 365.5 364.7 364.8

Aug 364.8 -0.1 365.5 364.7 364.8

Sep 364.8 -0.1 365.5 364.7 364.8

Oct 364.8 -0.1 365.5 364.7 364.8

Nov 364.8 -0.1 365.5 364.7 364.8

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May 364.8 -0.1 365.5 364.7 364.8

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GRAINS AND OIL SEEDS

WHEAT LCE (\$ per tonne)

Sett. Day's price change High Low

Jul 105.40 -0.15 105.40 105.30 105.35

Aug 105.40 -0.15 105.40 105.30 105.35

Sep 105.40 -0.15 105.40 105.30 105.35

Oct 105.40 -0.15 105.40 105.30 105.35

Nov 105.40 -0.15 105.40 105.30 105.35

Dec 105.40 -0.15 105.40 105.30 105.35

Jan 105.40 -0.15 105.40 105.30 105.35

Feb 105.40 -0.15 105.40 105.30 105.35

Mar 105.40 -0.15 105.40 105.30 105.35

Apr 105.40 -0.15 105.40 105.30 105.35

May 105.40 -0.15 105.40 105.30 105.35

Jun 105.40 -0.15 105.40 105.30 105.35

Jul 105.40 -0.15 105.40 105.30 105.35

LONDON SHARE SERVICE

BANKS

[illegible]

CHEMICALS

[illegible]

ELECTRONIC & ELECTRICAL ENGINEERING 3-2-1

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

HEALTH CARE - Cont

[illegible]**INVESTMENT TRUSTS - Cont**[illegible]

BREWERIES

[illegible]

DISTRIBUTORS

[illegible]

ENGINEERING

[illegible]

Signature _____
Date _____

Argentina	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	194	19
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INSURANCE

[illegible]

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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BUILDING & CONSTRUCTION

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

FOOD MANUFACTURERS

[illegible]

INVESTMENT TRUSTS

[illegible]

Warrant	05	0012
Zero Die PT	3012	3014

300	119	81	16.0	59.5
301	21	205	6.3	119.2
302	10	205	6.3	119.2
303	10	205	6.3	119.2
304	10	205	6.3	119.2
305	10	205	6.3	119.2
306	10	205	6.3	119.2
307	10	205	6.3	119.2
308	10	205	6.3	119.2
309	10	205	6.3	119.2
310	10	205	6.3	119.2
311	10	205	6.3	119.2
312	10	205	6.3	119.2
313	10	205	6.3	119.2
314	10	205	6.3	119.2
315	10	205	6.3	119.2
316	10	205	6.3	119.2
317	10	205	6.3	119.2
318	10	205	6.3	119.2
319	10	205	6.3	119.2
320	10	205	6.3	119.2
321	10	205	6.3	119.2
322	10	205	6.3	119.2
323	10	205	6.3	119.2
324	10	205	6.3	119.2
325	10	205	6.3	119.2
326	10	205	6.3	119.2
327	10	205	6.3	119.2
328	10	205	6.3	119.2
329	10	205	6.3	119.2
330	10	205	6.3	119.2
331	10	205	6.3	119.2
332	10	205	6.3	119.2
333	10	205	6.3	119.2
334	10	205	6.3	119.2
335	10	205	6.3	119.2
336	10	205	6.3	119.2
337	10	205	6.3	119.2
338	10	205	6.3	119.2
339	10	205	6.3	119.2
340	10	205	6.3	119.2
341	10	205	6.3	119.2
342	10	205	6.3	119.2
343	10	205	6.3	119.2
344	10	205	6.3	119.2
345	10	205	6.3	119.2
346	10	205	6.3	119.2
347	10	205	6.3	119.2
348	10	205	6.3	119.2
349	10	205	6.3	119.2
350	10	205	6.3	119.2
351	10	205	6.3	119.2
352	10	205	6.3	119.2
353	10	205	6.3	119.2
354	10	205	6.3	119.2
355	10	205	6.3	119.2
356	10	205	6.3	119.2
357	10	205	6.3	119.2
358	10	205	6.3	119.2
359	10	205	6.3	119.2
360	10	205	6.3	119.2
361	10	205	6.3	119.2
362	10	205	6.3	119.2
363	10	205	6.3	119.2
364	10	205	6.3	119.2
365	10	205	6.3	119.2
366	10	205	6.3	119.2
367	10	205	6.3	119.2
368	10	205	6.3	119.2
369	10	205	6.3	119.2
370	10	205	6.3	119.2
371	10	205	6.3	119.2
372	10	205	6.3	119.2
373	10	205	6.3	119.2
374	10	205	6.3	119.2
375	10	205	6.3	119.2
376	10	205	6.3	119.2
377	10	205	6.3	119.2
378	10	205	6.3	119.2
379	10	205	6.3	119.2
380	10	205	6.3	119.2
381	10	205	6.3	119.2
382	10	205	6.3	119.2
383	10	205	6.3	119.2
384	10	205	6.3	119.2
385	10	205	6.3	119.2
386	10	205	6.3	119.2

BUILDING MATS. & MERCHANTS

[illegible]

3. FORMS

		+ or -	1984	Mar	Ytd
Home	Price		high	low	close
Light Hdg	Y	-11	695	59	59
Home	Price	+10	717	57	57
Light Hdg	Y	-11	725	56	56
Home	Price	+10	734	55	55
Light Hdg	Y	-11	750	53	53
Home	Price	+10	767	51	51
Light Hdg	Y	-11	783	49	49
Home	Price	+10	791	48	48
Light Hdg	Y	-11	807	46	46
Home	Price	+10	815	45	45
Light Hdg	Y	-11	831	43	43
Home	Price	+10	839	42	42
Light Hdg	Y	-11	855	40	40
Home	Price	+10	863	39	39
Light Hdg	Y	-11	879	37	37
Home	Price	+10	887	36	36
Light Hdg	Y	-11	903	34	34
Home	Price	+10	911	33	33
Light Hdg	Y	-11	927	31	31
Home	Price	+10	935	30	30
Light Hdg	Y	-11	951	28	28
Home	Price	+10	959	27	27
Light Hdg	Y	-11	975	25	25
Home	Price	+10	983	24	24
Light Hdg	Y	-11	1000	22	22

Age	47.9	—	822	451	198.1	2.0	15
Age Theta	732nd	+5	805	667	206.1	3.1	15

[illegible]

Shire Food	120	+1
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AS DISTRIBUTION						
Notes	Price	+ or -	1994	Mid CapCo	Ytd	
Int. Inc.	100	high	255	253	12,140	6.7
Int. Inc.	285	---	278	261	49,116	5.3
Int. Inc.	285	---	278	283	72.3	2.8

HEALTH CARE						
Notes	Price	+ or -	1994	Mid CapCo	Ytd	
Int. Inc.	100	high	415	393	20,000	6.7
Int. Inc.	1020	---	1141	910	591.7	1.9
Int. Inc.	40	---	65	43	21.4	---
Int. Inc.	511	---	2115	205	---	---
Int. Inc.	227	---	227	245	41.4	1.0
Int. Inc.	511	---	2115	205	---	---
Int. Inc.	2500	---	263	239	63.2	5.1
Int. Inc.	128	---	169	115	38.4	---

F & Geo

Argentina	114	127.2	108.3	120	138.2	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140	140
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100% Satisfaction Guarantee
 100% Satisfaction Guarantee
 100% Satisfaction Guarantee

Spill Int'l. A	400	+3	357	416	35	145	20.4
Spill Int'l. B	400	+3	357	416	35	145	20.4
Spill Int'l. C	400	+3	357	416	35	145	20.4
Spill Int'l. D	400	+3	357	416	35	145	20.4
Spill Int'l. E	400	+3	357	416	35	145	20.4
Spill Int'l. F	400	+3	357	416	35	145	20.4
Spill Int'l. G	400	+3	357	416	35	145	20.4
Spill Int'l. H	400	+3	357	416	35	145	20.4
Spill Int'l. I	400	+3	357	416	35	145	20.4
Spill Int'l. J	400	+3	357	416	35	145	20.4
Spill Int'l. K	400	+3	357	416	35	145	20.4
Spill Int'l. L	400	+3	357	416	35	145	20.4
Spill Int'l. M	400	+3	357	416	35	145	20.4
Spill Int'l. N	400	+3	357	416	35	145	20.4
Spill Int'l. O	400	+3	357	416	35	145	20.4
Spill Int'l. P	400	+3	357	416	35	145	20.4
Spill Int'l. Q	400	+3	357	416	35	145	20.4
Spill Int'l. R	400	+3	357	416	35	145	20.4
Spill Int'l. S	400	+3	357	416	35	145	20.4
Spill Int'l. T	400	+3	357	416	35	145	20.4
Spill Int'l. U	400	+3	357	416	35	145	20.4
Spill Int'l. V	400	+3	357	416	35	145	20.4
Spill Int'l. W	400	+3	357	416	35	145	20.4
Spill Int'l. X	400	+3	357	416	35	145	20.4
Spill Int'l. Y	400	+3	357	416	35	145	20.4
Spill Int'l. Z	400	+3	357	416	35	145	20.4
Spill Int'l. AA	400	+3	357	416	35	145	20.4
Spill Int'l. AB	400	+3	357	416	35	145	20.4
Spill Int'l. AC	400	+3	357	416	35	145	20.4
Spill Int'l. AD	400	+3	357	416	35	145	20.4
Spill Int'l. AE	400	+3	357	416	35	145	20.4
Spill Int'l. AF	400	+3	357	416	35	145	20.4
Spill Int'l. AG	400	+3	357	416	35	145	20.4
Spill Int'l. AH	400	+3	357	416	35	145	20.4
Spill Int'l. AI	400	+3	357	416	35	145	20.4
Spill Int'l. AJ	400	+3	357	416	35	145	20.4
Spill Int'l. AK	400	+3	357	416	35	145	20.4
Spill Int'l. AL	400	+3	357	416	35	145	20.4
Spill Int'l. AM	400	+3	357	416	35	145	20.4
Spill Int'l. AN	400	+3	357	416	35	145	20.4
Spill Int'l. AO	400	+3	357	416	35	145	20.4
Spill Int'l. AP	400	+3	357	416	35	145	20.4
Spill Int'l. AQ	400	+3	357	416	35	145	20.4
Spill Int'l. AR	400	+3	357	416	35	145	20.4
Spill Int'l. AS	400	+3	357	416	35	145	20.4
Spill Int'l. AT	400	+3	357	416	35	145	20.4
Spill Int'l. AU	400	+3	357	416	35	145	20.4
Spill Int'l. AV	400	+3	357	416	35	145	20.4
Spill Int'l. AW	400	+3	357	416	35	145	20.4
Spill Int'l. AX	400	+3	357	416	35	145	20.4
Spill Int'l. AY	400	+3	357	416	35	145	20.4
Spill Int'l. AZ	400	+3	357	416	35	145	20.4
Spill Int'l. BA	400	+3	357	416	35	145	20.4
Spill Int'l. BB	400	+3	357	416	35	145	20.4
Spill Int'l. BC	400	+3	357	416	35	145	20.4
Spill Int'l. BD	400	+3	357	416	35	145	20.4
Spill Int'l. BE	400	+3	357	416	35	145	20.4
Spill Int'l. BF	400	+3	357	416	35	145	20.4
Spill Int'l. BG	400	+3	357	416	35	145	20.4
Spill Int'l. BH	400	+3	357	416	35	145	20.4
Spill Int'l. BI	400	+3	357	416	35	145	20.4
Spill Int'l. BJ	400	+3	357	416	35	145	20.4
Spill Int'l. BK	400	+3	357	416	35	145	20.4
Spill Int'l. BL	400	+3	357	416	35	145	20.4
Spill Int'l. BM	400	+3	357	416	35	145	20.4
Spill Int'l. BN	400	+3	357	416	35	145	20.4
Spill Int'l. BO	400	+3	357	416	35	145	20.4
Spill Int'l. BP	400	+3	357	416	35	145	20.4
Spill Int'l. BQ	400	+3	357	416	35	145	20.4
Spill Int'l. BR	400	+3	357	416	35	145	20.4
Spill Int'l. BS	400	+3	357	416	35	145	20.4
Spill Int'l. BT	400	+3	357	416	35	145	20.4
Spill Int'l. BU	400	+3	357	416	35	145	20.4
Spill Int'l. BV	400	+3	357	416	35	145	20.4
Spill Int'l. BW	400	+3	357	416	35	145	20.4
Spill Int'l. BX	400	+3	357	416	35	145	20.4
Spill Int'l. BY	400	+3	357	416	35	145	20.4
Spill Int'l. BZ	400	+3	357	416	35	145	20.4
Spill Int'l. CA	400	+3	357	416	35	145	20.4
Spill Int'l. CB	400	+3	357	416	35	145	20.4
Spill Int'l. CC	400	+3	357	416	35	145	20.4
Spill Int'l. CD	400	+3	357	416	35	145	20.4
Spill Int'l. CE	400	+3	357	416	35	145	20.4
Spill Int'l. CF	400	+3	357	416	35	145	20.4
Spill Int'l. CG	400	+3	357	416	35	145	20.4
Spill Int'l. CH	400	+3	357	416	35	145	20.4
Spill Int'l. CI	400	+3	357	416	35	145	20.4
Spill Int'l. CJ	400	+3	357	416	35	145	20.4
Spill Int'l. CK	400	+3	357	416	35	145	20.4
Spill Int'l. CL	400	+3	357	416	35	145	20.4
Spill Int'l. CM	400	+3	357	416	35	145	20.4
Spill Int'l. CN	400	+3	357	416	35	145	20.4
Spill Int'l. CO	400	+3	357	416	35	145	20.4
Spill Int'l. CP	400	+3	357	416	35	145	20.4
Spill Int'l. CQ	400	+3	357	416	35	145	20.4
Spill Int'l. CR	400	+3	357	416	35	145	20.4
Spill Int'l. CS	400	+3	357	416	35	145	20.4
Spill Int'l. CT	400	+3	357	416	35	145	20.4
Spill Int'l. CU	400	+3	357	416	35	145	20.4
Spill Int'l. CV	400	+3	357	416	35	145	20.4
Spill Int'l. CW	400	+3	357	416	35	145	20.4
Spill Int'l. CX	400	+3	357	416	35	145	20.4
Spill Int'l. CY	400	+3	357	416	35	145	20.4
Spill Int'l. CZ	400	+3	357	416	35	145	20.4
Spill Int'l. DA	400	+3	357	416	35	145	20.4
Spill Int'l. DB	400	+3	357	416	35	145	20.4
Spill Int'l. DC	400	+3	357	416	35	145	20.4
Spill Int'l. DD	400	+3	357	416	35	145	20.4
Spill Int'l. DE	400	+3	357	416	35	145	20.4
Spill Int'l. DF	400	+3	357	416	35	145	20.4
Spill Int'l. DG	400	+3	357	416	35	145	20.4
Spill Int'l. DH	400	+3	357	416	35	145	20.4
Spill Int'l. DI	400	+3	357	416	35	145	20.4
Spill Int'l. DJ	400	+3	357	416	35	145	20.4
Spill Int'l. DK	400	+3	357	416	35	145	20.4
Spill Int'l. DL	400	+3	357	416	35	145	20.4
Spill Int'l. DM	400	+3	357	416	35	145	20.4
Spill Int'l. DN	400	+3	357	416	35	145	20.4
Spill Int'l. DO	400	+3	357	416	35	145	20.4
Spill Int'l. DP	400	+3	357	416	35	145	20.4
Spill Int'l. DQ	400	+3	357	416	35	145	20.4
Spill Int'l. DR	400	+3	357	416	35	145	20.4
Spill Int'l. DS	400	+3	357	416	35	145	20.4
Spill Int'l. DT	400	+3	357	416	35	145	20.4
Spill Int'l. DU	400	+3	357	416	35	145	20.4
Spill Int'l. DV	400	+3	357	416	35	145	20.4
Spill Int'l. DW	400	+3	357	416	35	145	20.4
Spill Int'l. DX	400	+3	357	416	35	145	20.4
Spill Int'l. DY	400	+3	357	416	35	145	20.4
Spill Int'l. DZ	400	+3	357	416	35	145	20.4
Spill Int'l. EA	400	+3	357	416	35	145	20.4
Spill Int'l. EB	400	+3	357	416	35	145	20.4
Spill Int'l. EC	400	+3	357	416	35	145	20.4
Spill Int'l. ED	400	+3	357	416	35	145	20.4
Spill Int'l. EE	400	+3	357	416	35	145	20.4
Spill Int'l. EF	400	+3	357	416	35	145	20.4
Spill Int'l. EG	400	+3	357	416	35	145	20.4
Spill Int'l. EH	400	+3	357	416	35	145	20.4
Spill Int'l. EI	400	+3	357	416	35	145	20.4
Spill Int'l. EJ	400	+3	357	416	35	145	20.4
Spill Int'l. EK	400	+3	357	416	35	145	20.4
Spill Int'l. EL	400	+3	357	416	35	145	20.4
Spill Int'l. EM	400	+3	357	416	35	145	20.4
Spill Int'l. EN	400	+3	357	416	35	145	20.4
Spill Int'l. EO	400	+3	357	416	35	145	20.4
Spill Int'l. EP	400	+3	357	416	35	145	20.4
Spill Int'l. EQ	400	+3	357	416	35	145	20.4
Spill Int'l. ER	400	+3	357	416	35	145	20.4
Spill Int'l. ES	400	+3	357	416	35	145	20.4
Spill Int'l. ET	400	+3	357	416	35	145	20.4
Spill Int'l. EU	400	+3	357	416	35	145	20.4
Spill Int'l. EV	400	+3	357	416	35	145	20.4
Spill Int'l. EW	400	+3	357	416	35	145	20.4
Spill Int'l. EX	400	+3	357	416	35	145	20.4
Spill Int'l. EY	400	+3	357	416	35	145	20.4
Spill Int'l. EZ	400	+3	357	416	35	145	20.4
Spill Int'l. FA	400	+3	357	416	35	145	20.4
Spill Int'l. FB	400	+3	357	416	35	145	20.4
Spill Int'l. FC	400	+3	357	416	35	145	20.4
Spill Int'l. FD	400	+3	357	416	35	145	20.4
Spill Int'l. FE	400	+3	357	416	35	145	20.4
Spill Int'l. FF	400	+3	357	416	35	145	20.4
Spill Int'l. FG	400	+3	357	416	35	145	20.4
Spill Int'l. FH	400	+3	357	416	35	145	20.4
Spill Int'l. FI	400	+3	357	416	35	145	20.4
Spill Int'l. FJ	400	+3	357	416	35	145	20.4
Spill Int'l. FK	400	+3	357	416	35	145	20.4
Spill Int'l. FL	400	+3	357	416</			

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Company	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997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MARKETS REPORT

Markets watch Quebec

The announcement that the Canadian province of Quebec goes to the polls on September 12 yesterday provided a distraction from the market's recent pre-occupation with the dollar, writes Philip Gauthier.

Apart from focusing attention on Canadian economic fundamentals, it has also forced investors to consider the implications of a victory by the separatist Parti Quebecois, which is favoured to win.

The Canadian dollar initially opened weaker on the news, but later recovered to finish in London at C\$1.3786 against the US dollar, from C\$1.3782 on Friday.

The US dollar traded in a fairly narrow range, with markets waiting for the release on Friday of the second quarter GDP estimate. Against the D-Mark, it closed at DM1.5849 from DM1.578. Against the yen, it closed at ¥98.75 from ¥98.650.

Trading on the foreign exchanges was, in general, very quiet with an absence of data or events to help the market rise above mid-summer torpor. In Europe, the D-Mark turned in a mixed performance. It finished slightly lower against the French franc at FF347.47 from FF342.42.

Amid a market holiday in Spain and thin trade, the Portuguese escudo was fixed at midday at Esc20.572, its highest fixing since April 92.

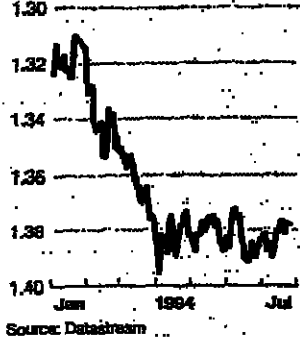
Sterling also had a quiet day with no news to trade off and no fresh lead from the dollar which has set the scene for the pound in recent weeks. It closed at DM2.4315 against the D-Mark from DM2.4231. Against the dollar, it finished at \$1.6342 from \$1.6375.

The CBI's industrial trends survey today will be closely watched for information about price expectations and capacity utilisation which could influence the monthly monetary meeting later this week.

The Parti Quebecois in Canada is committed to hold a referendum on secession within 10 months if it wins the election. Although opinion polls suggest that the people of Quebec are not yet ready to secede, there are rumblings that richer states like Alberta and British

Canadian dollar

Against the US\$ (C\$ per US\$)



Source: Datastream

■ Passed in New York

Jul 25

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1.3648

1.3646

1.3644

Pound spot

Forward against the pound

Jul 25

Closing

mid-point

Change

on day

Bid/offer

spread

Day's mid

One month

Three months

Six months

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DOLLAR SPOT FORWARD AGAINST THE DOLLAR

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EXCHANGE CROSS RATES

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MONEY MARKET

Money Market

Trust Funds

Cash & Co

CAF Money Management Co Ltd

CAF Money Management Co Ltd

MONEY MARKET

Money Market

ust Funds

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151	150.75	151.00	150.75	151	150.75	151.00	150.75	151	150.75	151.00	150.75	151	150.75	151.00	150.75
152	151.75	152.00	151.75	152	151.75	152.00	151.75	152	151.75	152.00	151.75	152	151.75	152.00	151.75
153	152.75	153.00	152.75	153	152.75	153.00	152.75	153	152.75	153.00	152.75	153	152.75	153.00	152.75
154	153.75	154.00	153.75	154	153.75	154.00	153.75	154	153.75	154.00	153.75	154	153.75	154.00	153.75
155	154.75	155.00	154.75	155	154.75	155.00	154.75	155	154.75	155.00	154.75	155	154.75	155.00	154.75
156	155.75	156.00	155.75	156	155.75	156.00	155.75	156	155.75	156.00	155.75	156	155.75	156.00	155.75
157	156.75	157.00	156.75	157	156.75	157.00	156.75	157	156.75	157.00	156.75	157	156.75	157.00	156.75
158	157.75	158.00	157.75	158	157.75	158.00	157.75	158	157.75	158.00	157.75	158	157.75	158.00	157.75
159	158.75	159.00	158.75	159	158.75	159.00	158.75	159	158.75	159.00	158.75	159	158.75	159.00	158.75
160	159.75	160.00	159.75	160	159.75	160.00	159.75	160	159.75	160.00	159.75	160	159.75	160.00	159.75
161	160.75	161.00	160.75	161	160.75	161.00	160.75	161	160.75	161.00	160.75	161	160.75	161.00	160.75
162	161.75	162.00	161.75	162	161.75	162.00	161.75	162	161.75	162.00	161.75	162	161.75	162.00	161.75
163	162.75	163.00	162.75	163	162.75	163.00	162.75	163	162.75	163.00	162.75	163	162.75	163.00	162.75
164	163.75	164.00	163.75	164	163.75	164.00	163.75	164	163.75	164.00	163.75	164	163.75	164.00	163.75
165	164.75	165.00	164.75	165	164.75	165.00	164.75	165	164.75	165.00	164.75	165	164.75	165.00	164.75
166	165.75	166.00	165.75	166	165.75	166.00	165.75	166	165.75	166.00	165.75	166	165.75	166.00	165.75
167	166.75	167.00	166.75	167	166.75	167.00	166.75	167	166.75	167.00	166.75	167	166.75	167.00	166.75
168	167.75	168.00	167.75	168	167.75	168.00	167.75	168	167.75	168.00	167.75	168	167.75	168.00	167.75
169	168.75	169.00	168.75	169	168.75	169.00	168.75	169	168.75	169.00	168.75	169	168.75	169.00	168.75
170	169.75	170.00	169.75	170	169.75	170.00	169.75	170	169.75	170.00	169.75	170	169.75	170.00	169.75
171	170.75	171.00	170.75	171	170.75	171.00	170.75	171	170.75	171.00	170.75	171	170.75	171.00	170.75
172	171.75	172.00	171.75	172	171.75	172.00	171.75	172	171.75	172.00	171.75	172	171.75	172.00	171.75
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NASDAQ NATIONAL MARKET[illegible]

